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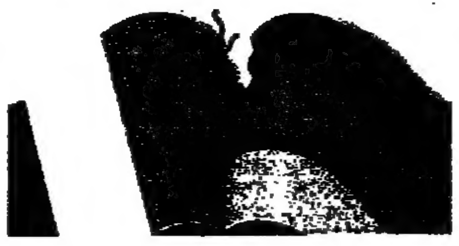

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The sounds of peace

World Business Newspaper — FRIDAY JANUARY 19 1996

IBM profits beat 1990 level after strong earnings

International Business Machines reported stronger than expected earnings for the fourth quarter and ended the year with its highest profits since 1990. Net income for the quarter, after special charges, was $1.7bn, or $3.09 a share – a 41 per cent increase over the same period a year ago. Louis Gerstner, chairman and chief executive, said: "Our quarterly and full-year results indicate that our fundamental strategies are working." He said IBM was focused on "completely transforming" its traditional businesses to address the market for networked computer systems. Page 21

McDonnell Douglas project in doubt: Doubts were raised over the future of McDonnell Douglas's wide-bodied MD-11 airliner after the US defence and aerospace company recognised a shortfall in demand for the aircraft by taking a $1.8bn fourth quarter charge. Page 22

HSBC reveals $42m fraud: HongKong Bank has discovered a $42m fraud in its main branch in Jakarta. The bank gave no details of the fraud, which occurred in December and is currently under investigation by Indonesian authorities. Page 20

Breakthrough in nuclear test ban talks: Disarmament negotiators in Geneva said "substantial progress" had been made towards agreeing a landmark nuclear test ban treaty within the next six months. Page 4

Hopes for deal on German jobs: German engineering employers and the IG Metall trade union appeared to be edging towards a compromise over union demands that industry should take on up to 330,000 extra workers in exchange for workers agreeing to wage restraint. Page 3

Scania signs bus deal with China: Scania, the Swedish truck maker, said it had signed a joint venture agreement to build buses in China and was considering a similar move into truck production. Page 4

Doctor's book on Mitterrand withdrawn: The family of former French President François Mitterrand, who died this month, succeeded in its efforts to have withdrawn from sale a book published by one of his long-serving doctors. Page 3

Dispute over fighter project resolved: Germany and Britain have resolved their dispute over the allocation of work on producing the four-nation £32bn ($49bn) Eurofighter, clearing the way for manufacturing the aircraft. Page 2

US may appeal against petrol ruling: The US is considering an appeal against a World Trade Organisation dispute panel judgment that US regulations on cleaner petrol discriminate against imports. Page 4

Apple shares drop sharply: Apple Computer shares dropped sharply as Wall Street analysts downgraded the stock in the wake of the US personal computer company's first fiscal quarter losses. Page 22; Lex, Page 20

Anglo American may cut 10,000 jobs: Anglo American Corporation warned that 10,000 mining jobs in South Africa were at risk unless there were significant improvements in costs and productivity. Page 25; World Stocks, Page 40

Pool player dies: Rudolf Wanderone, the sharp shooting New York pool known as Minnesota Fats and portrayed in the movie *The Hustler*, died of heart failure, aged 82. He could play with either hand and was known for wearing $100 bills in the handkerchief pocket of his jacket.

Nine killed in fire at German hostel: Police detained two men after a fire in which nine people died and more than 50 were injured at a foreigners' hostel (above) in the north German port city of Lübeck. Most of the residents were asylum seekers or ethnic German immigrants and prosecutors investigating the cause of the blaze have not ruled out arson. Page 2

Yeltsin warns of further attacks against Chechens as ship hijack continues

Russia claims victory over rebels

By John Barham in Ankara and John Thornhill in Moscow

Russia will strike again against Chechen rebels to eliminate terrorism, President Boris Yeltsin warned yesterday after claiming victory in the nine-day hostage crisis in the southern Russian village of Pervomaiskoye

Mr Yeltsin said 82 of the 100 hostages being held by the Chechen fighters had been freed, although there was no independent confirmation of these figures. Russian security forces said they had found the bodies of 153 Chechen rebels in the village and had captured a further 28 separatists.

Meanwhile, about 10 Turkish hijackers who sympathise with the Chechen independence movement continued to hold 309 passengers and crew hostage on the Black Sea ferry Avrasya. The Turkish government said it would not allow the vessel to dock at Istanbul, where the hijackers had planned to make a public statement.

The seizure of the ferry continued to strain relations between Russia and Turkey. Mrs Tansu Çiller, the Turkish prime minister, said the Russian government was being kept informed, but she criticised Moscow's handling of the Chechen crisis.

"We feel that what is happening [on board the Avrasya] relates to what is happening in Chechnya. It would not have happened if Chechnya had been handled well," Mrs Çiller said.

The Russian government also came under renewed fire in the country's parliament for its handling of the hostage crisis and its failure to reach a political settlement with Chechnya.

A group of liberal parliamentary deputies demanded the resignation of Mr Mikhail Barsukov, head of the Federal Security Service, who ordered the artillery bombardment of Pervomaiskoye after 26 Russian soldiers had been killed attempting to storm the town.

In a rare intervention in secular politics, Russian Orthodox church leaders urged Mr Yeltsin to end the conflict in the Caucasus which they said had turned into a war against the Chechen people. "The bloodshed must be stopped and our sons and brothers must no longer be sent to die," the church leaders said in a letter to the president.

But Mr Yeltsin appeared in an uncompromising mood yesterday and said security forces had taught Chechen separatists a lesson. "All the bandits have been destroyed unless some of them are hiding underground," he said.

Russia would deliver more blows against the forces of rebel Chechen leader Dzhokhar Dudayev to eliminate terrorism on Russian soil, Mr Yeltsin warned.

The whereabouts of Mr Salman Raduyev, who led the initial Chechen raid on Kizlyar, in Dagestan, which sparked the hostage crisis, are not known. But he may have escaped when Chechen forces tried to break out of Pervomaiskoye on Wednesday night.

The Avrasya ferry stopped briefly yesterday about nine miles off the Turkish coast close to Eregli yesterday, but the hijackers did not release two injured men and a pregnant woman as expected. Earlier they had promised to release their 46 Turkish hostages before blowing up the ship.

Mrs Çiller warned the ship would not be allowed into Istanbul's narrow Bosphorus straits: "That cannot be allowed. It is against our legal codes."

Ministers' pay, Page 2

A wounded hostage who escaped from the besieged village of Pervomaiskoye is helped by a Russian militiaman into a hospital — Picture: Reuter

Simitis chosen as new prime minister of Greece

By Karin Hope in Athens

Greece's governing Socialists yesterday voted to pull the country closer to its European Union partners by electing the leader of the party's reformist wing as the new prime minister.

In a close-run contest where the result appeared to be in doubt until the last moment, the Panhellenic Socialist Movement's 169 deputies chose Mr Costas Simitis, a former industry minister who has fought a long campaign to modernise the party.

He defeated Mr Akis Tsochatzopoulos, the acting prime minister and head of Pasok's populist faction, by 86 to 75 votes in a run-off ballot after the two men tied in the first round.

Mr Gerasimos Arsenis, the defence minister, finished third after many of his backers switched support to the acting prime minister. The fourth candidate, Mr Yannis Haralambopoulos, a former foreign minister, trailed far behind.

Mr Simitis replaces Mr Andreas Papandreou who resigned earlier this week after two months in hospital with critical lung and kidney problems. Having been chosen as prime minister-elect, he will be formally installed in a parliamentary vote in the next few days.

The election of Mr Simitis, 59, clears the way for a policy shake-out which is expected to bring economic and administrative reforms demanded by the EU in return for Ecu15bn ($19bn) in grants to modernise infrastructure and industry.

Mr Simitis pledged that he would "govern the country in a new way", signalling an end to the autocratic leadership practiced by Mr Papandreou, the founder of Pasok.

"The country's problems need swift and co-ordinated action but with a sensitivity to social conditions," he said.

Despite his appetite for reform, Mr Simitis must move cautiously for the next few months to consolidate his leadership. He faces another election contest in June,

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Daimler in last-ditch talks on Fokker deal

Schrempp moves to break deadlock over rescue of aircraft maker

By Ronald van de Krol in Amsterdam and Wolfgang Munchau in Dusseldorf

Mr Jürgen Schrempp, chairman of Daimler-Benz, will arrive in the Netherlands today for last-ditch efforts to win agreement from the Dutch government on a rescue plan for Fokker, the Dutch aircraft maker.

His unexpected trip to see Mr Hans Wijers, minister of economic affairs, is a sign of deadlock in attempts to arrange a capital injection of more than Fl 2bn ($1.2bn) for Fokker.

The Dutch company has been controlled by Daimler-Benz's aerospace subsidiary since 1993.

Dutch union officials, who yesterday urged Mr Wijers to participate in the refinancing, said there was only a 50-50 chance of agreement.

Officials in the Netherlands said that Daimler-Benz's supervisory board was due to convene on Monday in Stuttgart to discuss what should be done with Fokker.

The German company refused to confirm such a meeting would take place.

The Dutch government, minority shareholders in Fokker, is believed to have offered to write off Fl 800m in aircraft development credits as its contribution to the rescue.

But the government has refused to pledge the fresh capital Daimler-Benz wants injected into the company.

From the start of Fokker's difficulties in August, the Dutch have said Daimler-Benz must put up most of the money needed to ensure the company's future.

The Germans have countered by saying they would sanction a capital increase for Fokker only if the Dutch government agreed to participate fully.

The stalemate has been caused by each side wanting to keep its own contribution to a minimum.

Dutch unions were last night planning to take many of Fokker's 7,800 workers from Amsterdam to The Hague by bus today for a demonstration aimed at winning government support for the rescue.

Last year, Mr Schrempp warned he would be ready to abandon Fokker if the Dutch government failed to participate in the capital increase.

The continuing uncertainty about the prospects of a capital injection again hit Fokker's shares yesterday.

The shares, among the most volatile on the Amsterdam bourse, opened down 30 per cent at Fl 6.10 and ended the day at Fl 6.90, a decline of 20 per cent from Wednesday.

The Fokker crisis was sparked by figures showing that the company had run up record losses of Fl 651m in the first six months of the year, wiping out its remaining shareholders' equity.

Since then, the company has been kept afloat by short-term financial guarantees provided by Dasa.

UK cuts interest rates for second time in five weeks

By Robert Chote, Gillian Tett and Graham Bowley in London

Mr Kenneth Clarke, the UK chancellor, cut base interest rates for the second time in five weeks yesterday, amid speculation that he had overruled the Bank of England.

Justifying the unexpected move, Mr Clarke said subdued spending in Britain's export markets had helped undermine economic growth. He added that inflationary pressures had weakened and he was confident of hitting his target of 2.5 per cent or less for the underlying rate.

But official figures showed inflation rising further above the target last month. Higher petrol duties in November's Budget pushed the headline rate from 3.1 to 3.2 per cent. The quarter-point reduction took base rates to 6.25 per cent, their lowest for a year. Rates have not fallen twice in such quick succession since the aftermath of sterling's departure from the European exchange rate mechanism in 1992.

But yesterday's cut was too small to trigger an immediate fall in home loan rates. Analysts said this would limit its political and economic impact. "We will not be making any further moves in our mortgage or savings rates for the time being," said the Halifax building society, Britain's biggest mortgage lender.

The financial markets reacted favourably. In London, the FT-SE index of 100 leading shares rose 44.5 points to a record close of 3,748.7, sterling closed only slightly lower and gilts gained more than half a point.

The rate cut was welcomed by business organisations. The Confederation of British Industry said it should underpin a pick-up in consumer spending and help support business confidence.

Many economists said they believed the chancellor had overruled Mr Eddie George, governor of the Bank of England, when he decided to cut rates at their meeting on Wednesday.

Last month's cut was followed by immediate confirmation that both men supported the move. But yesterday neither the Bank nor the Treasury would say whether Mr George had backed the decision.

Mr Clarke will discuss the danger of a prolonged global slowdown with his fellow finance ministers from the Group of Seven leading industrial nations when they meet in Paris tomorrow. France and the Netherlands both cut interest rates yesterday.

Yesterday's move was accompanied by mixed evidence on the UK economy. Unexpectedly weak retail spending figures suggested that talk of bumper pre-Christmas trade had been overdone, but that consumer purchases were back on an upward trend.

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STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5083.16	(+16.26)
NASDAQ Composite	1001.86	(+3.56)
Europe and Far East		
CAC40	1960.08	(-5.94)
DAX	2380.90	(+9.60)
FT-SE 100	3748.7	(+44.5)
Nikkei	20,370.04	(-200 22)

US LUNCHTIME RATES

Federal Funds	5 5/16%
3-mth Treas Bills: Yld	5.096%
Long Bond	112 13/32
Yield	5.957%

OTHER RATES

UK: 3-mo Interbank	6 5/16%	(6 7/16%)
UK: 10 yr Gilt	108 9/32	(108 1/32)
France: 10 yr OAT	110.41	(110.13)
Germany: 10 yr Bund	101.51	(101.06)
Japan: 10 yr JGB	111.842	(111.684)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$17.205	(16.865)

GOLD

New York: Comex		
(Feb)	$387.6	(400.0)
London:		
close	$387.75	(388.25)

DOLLAR

New York: lunchtime		
£	1.5215	
DM	1.4725	
FFr	5.0328	
SFr	1.1885	
Y	105.675	
London:		
£	1.5218	(1.5305)
DM	1.4686	(1.4646)
FFr	5.0281	(5.0040)
SFr	1.187	(1.1815)
Y	105.30	(105.485)

STERLING

DM	2.2384	(2.2415)
Tokyo close:	Y 105.35	

Austria	Sch37	Greece	Dr400	Malta	Lm0.65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh16	S.Arabia	SR12
Belgium	BFr75	Hungary	Ft230	Neth	Fl 4.75	Singapore	S$4.30
Bulgaria	Lev120.00	Iceland	IKr230	Nigeria	Naira90	Slovak Rp	Sk65
Cyprus	C£1.20	India	Rs75	Norway	NKr20.00	S. Africa	R12.00
Czech Rp	Kc60	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr18	Italy	L3200	Pakistan	Rs40	Sweden	SKr20
Egypt	E£5.00	Japan	Y500	Philippines	Pes50	Switz	SFr3.70
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Syria	S£65.00
Finland	FM15.50	Kuwait	Fils650	Portugal (mainland)	Es240	Tunisia	Din1.750
France	FFr11.50	Lebanon	US$1.50			Turkey	L70,000
Germany	DM4.00	Lux	LFr75			UAE	Dh12.00

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French economy gets confidence vote

Trichet: high marks for Juppé

By David Buchan in Paris

The Bank of France yesterday sent out what it called "a message of confidence" in the government's current economic reforms and in the basic health of the economy over the medium term. It backed it up with a further interest rate cut.

The central bank lowered two key interest rates by a quarter point to bring the intervention base rate to 4.2 per cent and the "repurchase" rate to 5.6 per cent. It was its first rate cut since the end of last month's public sector strikes.

In setting out the central bank's targets for 1996, Mr Jean-Claude Trichet, the governor, forecast the economy could grow by 2.5-3 per cent "over the medium term", and that there was "potential for a rebound in 1996".

He acknowledged the slowdown in recent months, but said confidence was justified because of "the pursuit of the reduction of public deficits, structural reforms, the solidity of the franc and progress towards monetary union".

In contrast to last year, when the governor warned the then government of Mr Edouard Balladur about the dangers of letting the budget deficit drift, Mr Trichet appeared to give Mr Alain Juppé, the prime minister, high marks for trying to push through unpopular welfare reforms and budget cuts.

The central bank, which two years ago was made independent of the government in the setting of monetary policy, said that it aimed to contain inflation to no more than 2 per cent and to let the monetary aggregates rise by 5 per cent to allow for growth.

On the latest figures, the monetary aggregates rose last year by no more than 3.9 per cent, while inflation was well below 2 per cent.

After a meeting with Mr Trichet yesterday, several National Assembly deputies said that they thought France was running the risk of an actual deflation of prices and activity and that more should be done to boost growth.

Mr Trichet claimed the economy had "important reserves of power" on which it could draw in the form of a high average savings rate by households, the fact that companies had on average more than enough cash to finance new investment on their own, and the country's trade and current account surplus.

Mr Trichet said the Bank of France's nine-member monetary policy council, which he chairs, believed that "the growth in confidence in the economy, notably over the medium term" should improve the climate for investment by companies and reduce the precautionary tendency of consumers to save rather than consume.

Meanwhile, the Insee statistics agency confirmed its earlier estimate that growth in the third quarter of last year had slowed to 0.2 per cent, after the same level of expansion in the second quarter and 0.7 per cent growth in the first three months of last year.

Dispute over fighter project resolved

By Bernard Gray, Defence Correspondent

Germany and Britain have resolved their dispute over the allocation of work on producing the four-nation £32bn ($49bn) Eurofighter, clearing the way for manufacturing the aircraft. An agreement establishing production lines and tooling is likely by the summer.

At a meeting in Britain's defence ministry yesterday Mr Jörg Schönbohm, the German armaments secretary, and Mr James Arbuthnot, the UK procurement minister, agreed that Germany would increase its order for Eurofighters to 180 from 140, while Britain would buy 230 of the aircraft, rather than its initial proposal of 250.

Under the terms of the memorandum governing the project (which also includes Italy and Spain), this allows Germany to secure 30 per cent of the work, the minimum it regards as acceptable.

Britain will have about 38 per cent.

Both ministers said that the deal, which has to be ratified by the German parliament, effectively closed the dispute over work shares, which has been running for a year.

"This resolves the issue of work share and provides a firm basis for industry and the four partners to plan the future stages of the Eurofighter project," they said in a joint statement yesterday.

Mr Schönbohm's confidence in announcing the work share issue settled suggests that the government believes the increased numbers will not be blocked by parliament.

The companies involved, primarily British Aerospace, Daimler-Benz Aerospace (Dasa), Alenia and Casa, will now be asked for final costings on production of the aircraft, with the essentially fixed-price production terms to be included in the production contract.

Provided the costings are acceptable, there are now no barriers to making the aircraft, which has been dogged by dispute and controversy since Germany threatened to withdraw in 1992.

Flight testing continues, and the manufacturers are particularly pleased with the progress of the third prototype DA3, which is the first to fly with the new EJ200 engine.

While Britain is cutting its initial order, reduced numbers elsewhere mean that its work share will rise from 33 per cent to 38 per cent, which is worth an extra £1bn to British industry. If Britain eventually decides to replace its Harrier GR7 attack aircraft with Eurofighters, it could order up to 70 more.

Greek party puts its faith in moderniser

Kerin Hope profiles the man set to take over from Papandreou

In a country of colourful politicians, Mr Costas Simitis, Greece's prime minister-elect, stands out by being ordinary.

After resigning last September as industry minister over a botched attempt to privatise the country's largest shipyard, he went back to his second career, teaching law at the Panteios university in Athens. There, he produced the latest in a series of books on modernising Greece.

His moderate views, and a track record of smoothing Greece's often stormy relations with Brussels in the 1980s, were instrumental in Mr Simitis's emergence as the leader of the pro-European faction of the governing Panhellenic Socialist Movement (Pasok).

Nonetheless, his political pedigree has the stamp of Pasok's radical origins.

In an effort to shed his "dull and boring" image before yesterday's parliamentary vote, Mr Simitis reminded an interviewer of his membership of a leftwing group which staged bomb attacks around Athens during the colonels' dictatorship in the early 1970s.

After months in hiding, he fled to Germany, where he became prominent in the Panhellenic Liberation Movement, the forerunner of Pasok, while teaching at Konstanz university.

Mr Simitis's background in what the Socialists called Greece's "national liberation struggle" against the junta will be an asset in the next few months as he tries to assert control over Pasok.

He will be a political hostage to the party until he is elected its leader in succession to Mr Andreas Papandreou at a special congress, due to be held in June. Mr Simitis will need help from Mr Akis Tsochatzopoulos, runner-up in yesterday's vote, to rebuild bridges with influential Pasok members loyal to Mr Papandreou.

The loyalists are still angry with Mr Simitis over his campaign last year, with other prominent party rebels, to force the ailing prime minister into retirement.

When Pasok first came to power in 1981, Mr Simitis earned a reputation as a troubleshooter by renegotiating Greece's relationship with Brussels.

Mr Papandreou had threatened to take Greece out of what was then the European Community, but allowed Mr Simitis to shore up relations after it became clear that continued membership would bring cash benefits equivalent to around 2 per cent of gross domestic product yearly.

Mr Simitis later took over as economy minister to supervise an economy stabilisation programme agreed with Brussels in return for an emergency balance of payments loan.

His reputation soared after he resigned his portfolio in 1986 in protest at Mr Papandreou's insistence on giving public sector workers an extra pay rise, which he said would rule out any chance of meeting the 1987 inflation target.

The economy will again be Mr Simitis's priority, in particular pushing through structural reforms without which last year's progress on reducing inflation and the public sector deficit will be quickly undermined.

Privatisation, which was Mr Simitis's weak point during his time at the industry ministry, must be speeded up, together with reforms of the public administration, which is having difficulty in drawing down the large amounts of EU aid being made available to help poorer member states catch up with their richer partners.

Mr Simitis underlined some of Greece's problems in his speech yesterday to deputies: "Sadly, we lag behind in education, research, technology, in public administration, in strategic planning. Moreover, the civil service is incapable of putting policy into practice."

As industry minister, he proved unexpectedly reluctant about privatisation, delaying the flotation of Greece's oil refining and petroleum products group, and refusing to back a public offering of a 25 per cent stake in OTE, the state telecoms organisation.

Mr Simitis's close ties with public sector unions controlled by Pasok which opposed privatisation are blamed for his procrastination.

But union support was crucial to building his candidacy to replace Mr Papandreou.

Resistance to partial privatisation of state corporations is fading as Pasok tries to cultivate the role of the small shareholders. The scale of planned flotations has been cut back – only 10 per cent of OTE will be offered for sale through the Athens stock exchange later this year – and shares will be offered at a discount to thousands of employees and pensioners.

But, given the scale of Greece's economic and administrative problems, there will be no margin for Mr Simitis to give way to indecisiveness, the most frequent criticism levelled against him by political colleagues and Greek businessmen. One colleague said: "Unlike Mr Papandreou, the new prime minister will work through consensus. That means the rest of the cabinet must wake up and start pulling their weight."

Mr Costas Simitis: A man of moderate views but with roots in Pasok's radical origins Reuter

Nine die in Lübeck hostel blaze

By Judy Dempsey in Berlin

Nine asylum seekers, including three children, died and 35 people were seriously injured yesterday when a fire swept through a hostel for foreigners in the northern German city of Lübeck.

Mr Michael Böckenhauer, the city's public prosecutor, said the fire started simultaneously in several places, indicating arson. If arson is confirmed, it will be the worst attack on foreigners in Germany's post-war history.

Police would not confirm if the fire was arson but they detained three young men who were seen getting into a car near the hostel 10 minutes after the fire started.

The hostel had provided a refuge for asylum seekers from Syria, Lebanon, Zaire and Togo, as well as ethnic Germans from Russia and other CIS states. Many had tried to jump from the upper floors as the fire spread rapidly through the building. It was still smouldering by lunchtime yesterday.

Inhabitants of Lübeck were stunned by the incident. "If this is arson, there's no end to it," a shopkeeper said. "People have tried to burn the synogogue twice over the past two years." The firebombings of the synagogue were the first since the Nazi era.

Officials from Germany's Commission for Foreigners, a government-backed department which monitors attacks on them, and has sought ways to speed integration of Germany's 6m foreigners, said it feared the worst. "We don't want to comment yet. We don't know if extremists killed these people," one said.

Right-wing extremists have killed 15 foreigners since 1991. The worst case was a 1993 firebombing in the west German town of Solingen; five Turkish women and children died.

France's suburb of shame urges jobs plan

Andrew Jack reports on a high-rise ghetto where urban renewal initiatives have come and gone

Rows of high-rise blocks dominate the skyline south and east of Lyons, signalling the presence of one of the more troubled suburbs to be targeted in the French government's latest urban initiative.

Minguettes, part of the municipality of Vénissieux, came to national prominence as a synonym for disaffection during the "hot summers" of 1981 and 1983 when it was the scene of violent rioting.

The incidence of crime is high, as are other social problems such as drug abuse and educational failure. Nearly a quarter of the population are classified as immigrants, more than one third are under 19, and more than 22 per cent live in households numbering more than five people.

Yesterday, those most closely involved with the community's problems gave a muted response to the government's FFr5bn ($1bn) urban regeneration scheme. Community workers were sceptical about whether the range of measures announced by Mr Alain Juppé, the prime minister, in Marseilles, were substantial enough to improve the outlook for young people, and wanred that if they did not, the level of frustration would grow.

Mr André Gerin, the Communist mayor of Vénisseux, who has seen innumerable urban policy initiatives in the past, gave the package a cautious welcome but feared it would be far too limited to have much effect. "It is the mountain that gave birth to a mouse," he says. He compared the FFr5bn in the package – some of it in tax forgone rather than in new money – to the FFr50bn spent on rescuing Crédit Lyonnais, the bank.

The signs of how limited opportunities are for local people are clear in Minguettes. There are few businesses, and many shops and other facilities have closed.

The concrete tower blocks in which most of Minguettes' 35,000 people live are showing their age – 62 were built in the rapid expansion of the late 1960s and early 1970s, of which 52 remain. In late 1994, the town demolished 10 which had been derelict for a decade, the worst examples of poor construction and subsequent neglect.

Many of those working in the community have little doubt about the main problem. "It's true you can strengthen the social fabric, but the first condition for success is jobs," says Mr Claude Poltier, head of a local training association for school drop-outs. "Employment is most important."

Even official figures put the local unemployment rate at 22 per cent, nearly twice the national average. Mr Gerin says youth unemployment is nearer 40 per cent. "People here feel a sense of emptiness about the future," he says. "They have the feeling of being abandoned."

Mr Gerin won re-election in the municipal race last summer, maintaining uninterrupted control of the town hall by the Communist party since 1936.

But there was also a sharp rise in support for the extreme right National Front, prompting Mr Gerin to commission a study on the reasons.

Disillusionment was top. It is something he says he is trying to address through involving local residents more in decision-making. But he too highlights jobs as central to the recovery of the area – a national priority he sees as largely outside his control.

In the absence of much economic hope, and often rejected by mainstream French society, many younger people with Arab origins have turned to militant Islam as one structure that offers them some support.

It was in the neighbouring district of Vaulx-en-Velin that Khaled Kelkal lived, the 24-year-old who was suspected of involvement in the terrorist network responsible for nine bombings in France last year and who was shot dead by gendarmes in September.

Polish leader says spy row may force poll

By Lionel Barber and Anthony Robinson in Brussels

Polish voters could face the dissolution of parliament and early general elections if the political crisis over prime minister Jozef Oleksy's alleged links with the KGB is not resolved, President Alexander Kwasniewski warned yesterday.

Speaking after two days of talks with senior Nato and European Union officials, Mr Kwasniewski underlined Poland's commitment to democracy and its hope that talks on entry to the European Union could be completed by the turn of the century.

Mr Kwasniewski said he hoped the the specific allegations facing Mr Oleksy would be cleared up before the end of the month by the special parliamentary committee set up to evaluate the evidence. He played down the significance of Mr Oleksy's admitted contacts and friendship with a KGB agent.

"It's crazy to complain of meetings between politicians and diplomats. That's part of their job. I've met a lot of diplomats from many countries in public life. I'm sure a lot of them were spies. But I never asked whether they were CIA, KGB, Mossad or the Belgian secret service. That was a risk I took," he added. Mr Kwasniewski also sought to minimise the significance of the latest Polish press reports of clandestine KGB funding for the Polish Social Democratic party, the re-born former communist party led by Mr Kwasniewski himself.

"In a democracy with a free press it is easy to make such allegations but more difficult to establish the truth," he said. "The important thing is to resolve such questions openly and through legal channels," he added.

The same principle applied to the party manoeuvres aimed at forming an alternative coalition. "The present government has a strong majority in parliament. If somebody wants to change this, the democratic way is to call new elections. I am not in favour of this. We should be tackling real problems, like reform of the social security system. But, if necessary, we should go ahead and not waste time," he said.

Mr Kwasniewski's decision to press on with his post-election swing through the capitals of western Europe despite the domestic crisis reflects the priorities of his presidency – ensuring the quickest possible entry to European institutions. Poland recognises Nato as "the core of a new European security architecture" and wants to join alongside countries such as Hungary and the Czech Republic so as to be fully involved in drawing it up, he said.

He also underlined the importance of keeping Russia involved and informed. "While Nato enlargement is necessary, it must be done with Russia in mind and not against Russia." Both Nato and the former Warsaw pact countries still had many people who thought in the old confrontational stereotypes of cold war days. "So Nato also needs reform and the first sign of qualitative change would come with the entry of the first former Warsaw pact state," he added.

In March he goes to Moscow to explain Poland's attitude to Nato enlargement to Mr Boris Yeltsin, the Russian president, whose recent re-appointment of hardliners from the former regime has reinforced nervousness about future stability in the region.

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EUROPEAN NEWS DIGEST

Belarus warns over weapons

Mr Alexander Lukashenko, the maverick president of Belarus, yesterday warned he would allow nuclear weapons to be stationed in his republic again if eastern European countries are admitted to the Nato military alliance.

"I am afraid we will have to redeploy in Belarus the nuclear weapons that were withdrawn from it" if Nato extends membership to eastern Europe, Mr Lukashenko said.

Redeployment of nuclear warheads in Belarus, which shipped the nuclear missiles on its territory to Russia after the collapse of the Soviet Union, would cause concern throughout the west and could derail the nuclear disarmament process which began in the 1980s. Mr Lukashenko, who has a reputation for making outrageous political claims, is a strong advocate of re-uniting his Slavic state with Russia and is a political ally of the anti-western hard-line faction in Moscow, some of whom advocate reunion between the two states. *Chrystia Freeland, Moscow*

Hungary acts to reduce debts

The Hungarian government yesterday decided to use Ft92bn ($672m) of last year's surplus privatisation revenues to pay off part of the country's crippling state debt.

The move is a blow to trade unions and the left-wing of the ruling Socialist party, which had lobbied hard for extra financing for development and infrastructure projects.

Mr Lajos Bokros, finance minister, who masterminded last year's successful austerity package, and the central bank insisted the funds be used to reduce the national debt, which imposes a heavy interest burden on the budget.

Before yesterday's decision, Ft250bn of last year's record Ft460bn privatisation revenues had already been allocated to the 1995 and 1996 state budgets. The balance is to be used to cover expenses and debts of APV Rt, the privatisation agency. *Virginia Marsh, Budapest*

Mr Harold A Whelehan SC

On November 21 1994, we commented editorially on the fall of the Irish Government, led by Mr Albert Reynolds. This event followed a seven-month delay of the extradition process from the Republic of the paedophile priest, Brendan Smyth.

The delay in extradition took place in the office of the Attorney General, then Mr Harold Whelehan. The Financial Times has studied the evidence of Mr Whelehan and officials of his department which was given, subsequent to our publication, to a parliamentary committee of inquiry in Dublin. We are happy on that basis to accept that Mr Whelehan had no personal knowledge of the case in question, which was dealt with by an official of his department, and was never drawn to his attention.

Alitalia negotiations break down

Talks between Alitalia and unions on restructuring Italy's state-owned airline have broken down amid mutual recrimination. But pilots came in for the most blame in holding out for pay increases negotiated secretly last summer and subsequently rejected by new Alitalia management.

The impasse means that the government will almost certainly have to intervene, but little can be done until a new government is formed.

Yesterday Mr Michele Tedeschi, head of Iri, the state holding that owns Alitalia, warned it was impossible to relaunch the troubled national carrier with fresh capital without a truce on the labour front.

Alitalia, which lost L197bn ($125m) in the first half of 1995, has debts of L3,553bn and is reckoned to need a capital injection of L1,500bn. Debt-ridden Iri would be hard-pressed to provide this, while direct state aid risks falling foul of EU competition policy rules. *Robert Graham, Rome*

De Beers talks with Russia fail

The Russian government and De Beers agreed this week to extend their diamond-selling agreement until March 1, but have not yet reached a new long-term deal regulating their relationship.

In 1990, Moscow and De Beers signed a five-year pact giving De Beers the exclusive right to purchase 95 per cent of the rough diamonds exported by Russia. But that agreement expired last month and, despite several rounds of negotiations, Russia and De Beers have failed to agree on a new arrangement.

According to the Russian news agency Interfax, additional talks are due to be held over the next few weeks.

If De Beers, which controls more than 80 per cent of the world market in rough diamonds, fails to reach an agreement with Russia the shape of the global diamond industry would be seriously altered. *Chrystia Freeland, Moscow*

Azerbaijan agrees oil transit

Russia and Azerbaijan yesterday signed a long-awaited oil transit agreement, viewed as an essential step for developing the massive oil resources lying under the Caspian Sea. The delay in signing the agreement, which had been finalised last autumn, was causing concern among members of an international consortium which is exploiting the Caspian Sea oilfields. The signatories blamed the delay purely on "technical problems".

The Azeri government has guaranteed that at least 5m tonnes of oil a year will flow through the Russian pipeline system by the year 2002 for export on to world markets. The oil will flow through an existing pipeline infrastructure, which runs from the Azeri capital of Baku through the troubled region of Chechnya to the Russian Black Sea port of Novorossisk.

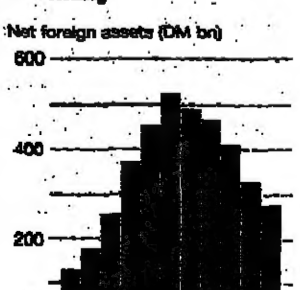
Mr Valery Chernayev, the president of Transneft, the Russian pipeline operator, said this route was the best option. But concerns about the political instability in Chechnya have ensured other outlets are being developed for Caspian oil, via Georgia and Turkey. *John Thornhill, Moscow*

ECONOMIC WATCH

German foreign assets fall

Germany

Net foreign assets (DM bn)



Source: Bundesbank

Germany's net foreign assets – held by companies, banks, individuals and the public sector – have fallen sharply in recent years to DM248bn ($169bn) in mid-1995 as a result of current account deficits and the rising D-Mark, the Bundesbank said. This compared with DM493bn at the end of 1991. Germany has the world's second largest net foreign asset total after Japan's $639bn at end-1994, while the US had net liabilities of $681bn, reflecting its high current account deficits. The Bundesbank said DM122bn (60 per cent) of the fall in Germany's net external asset figure since 1991 was caused by current account deficits. The rest was due to valuation changes over the last year-and-a-half through the D-Mark's, mainly against the dollar.

The gross foreign asset total rose by DM564m to DM2,301bn after 1991, one reason being the introduction of a withholding tax in 1993 that led domestic investors to send funds abroad. This was offset by gross liabilities of DM2,017bn, up by DM773bn over the period. The fact that nearly 80 per cent of these were in D-Marks showed foreign investors' confidence in the German economy, the bank said. *Andrew Fisher, Frankfurt*

NEWS: EUROPE

Hopes for deal on German jobs

By Wolfgang Münchau in Düsseldorf

German engineering employers and the IG Metall trade union appeared yesterday to be edging towards a compromise over union demands that industry take on up to 330,000 extra workers in exchange for workers agreeing to wage restraint.

Negotiations between IG Metall and Gesamtmetall, the federation of German engineering employers, remain well short of a breakthrough.

But both sides signalled for the first time yesterday that they were ready to make significant concessions to reach a deal over the "an alliance for jobs" proposal – one of the most wide-ranging job initiatives ever proposed by a German trade union.

Yesterday's interim agreement is an important development ahead of next week's talks in Bonn between the union and employers' federations and Chancellor Helmut Kohl.

The atmosphere yesterday contrasted sharply with the first meeting, held near Frankfurt last week, when both sides walked out refusing to compromise on virtually anything.

Mr Klaus Zwickel, president of IG Metall, said yesterday's meeting had "closed some of the gaps, although we are still not agreed on the key issue of overtime".

IG Metall is proposing that the amount of overtime currently worked in a plant should be the principal factor in deciding how many new jobs are to be created.

Gesamtmetall remained sceptical yesterday on whether all overtime could be converted into jobs, although it appeared to be softening its position over whether its members should eventually accept binding rules to cut overtime and hire more workers – previously, it had insisted that overtime cuts should be voluntary.

In return, IG Metall said it would agree to several provisions for improved labour market flexibility. Specifically it agreed to a special low wage band for hiring the long-term unemployed.

The union also appears to have accepted employer demands to extend the maximum duration of fixed-term work contracts from 18 months to two years, and to allow such contracts to be renewed. Gesamtmetall also gained union acceptance of proposed measures to allow companies to use their workforce more flexibly throughout the week.

Gesamtmetall has shifted its position on the overtime issue since the start of the year, when it said cuts in overtime would not help create jobs. Later it offered to restrict overtime to 16 hours a month.

Yesterday, Mr Hans Joachim Gottschol, president of Gesamtmetall, said he would offer a compromise of "somewhere between 16 and zero". He said he expected difficult negotiations over the figure, but appeared less concerned over whether an eventual agreement should be obligatory.

The second point of disagreement is a demand by Gesamtmetall to allow individual companies to reach temporary plant level agreement with workers for lower pay in exchange for job guarantees. IG Metall fears that such a provision would open up the possibility of abuse.

Gesamtmetall said it now needed to consult its members before agreeing to another round of talks. Once a compromise is reached the two sides will appoint an independent expert group which will work out details and numbers.

Doctor's book on Mitterrand withdrawn

By Andrew Jack in Paris

The family of former French President François Mitterrand yesterday succeeded in its efforts to have a book published by one of his long-serving doctors withdrawn from sale.

A Paris court ruled that "The Great Secret" written by Dr Claude Gubler and published by Plon, should be removed from bookshelves the day after it went on sale.

The book alleged that Mr Mitterrand had been diagnosed with prostate cancer from 1981, at the start of his 14-year presidential term, and that therefore all the regular health bulletins issued since that time had been false.

At least equally controversially, Dr Gubler, who was one of Mr Mitterrand's doctors from 1981 until 1994, claimed that Mr Mitterrand was so obsessed with his illness from November 1994 that he was no longer in a position to govern the country.

Mr Mitterrand's family argued that his book represented "a particularly serious intrusion" into the details of his private life.

Separately, Dr Gubler was interviewed during the afternoon by the judicial police in connection with a preliminary inquiry opened by the Paris public prosecutor into breach of professional secrecy.

Despite the action of the court, which imposed a fine of FFr1,000 ($202) against each future sale of the book, preliminary figures suggested that sales of his book had already reached 40,000 ahead of the ban.

Dr Gubler's revelations have divided the country, with some annoyed by Mr Mitterrand's apparent deceit, while a substantial body of opinion criticises Dr Gubler for breaking medical secrets and disgracing his profession.

The family of Mr Mitterrand has also objected to the publication in the magazine Paris Match earlier this week of two photographs of the late president on his deathbed last week.

Ministers may go to back of the pay queue

By Chrystia Freeland in Moscow

The Russian leadership, struggling to respond to Communist charges that it has impoverished ordinary people while enriching a small elite, may introduce a decree holding back the salaries of cabinet ministers until all other government employees have received their wages.

The populist proposal is part of the public campaign the Kremlin launched this week in an apparent attempt to distance itself from last year's austerity programme and increase its popularity ahead of June presidential elections.

The economic policy shift has already taken one prominent victim, Mr Anatoly Chubais, the economic reformer who was sacked from his post as deputy prime minister this week, and many analysts view the moves as a sign that President Boris Yeltsin plans to run for re-election.

Mr Victor Chernomyrdin, prime minister, said yesterday that a draft presidential decree had been prepared which would put cabinet ministers at the back of a queue of millions of state employees on pay day.

Over the past year Moscow's tough inflation-fighting economic programme has brought delays of several months in the payment of wages to school teachers, doctors, soldiers and blue-collar workers.

This helped propel the Communists into first place in December parliamentary elections and this week Mr Yeltsin told the government to "take urgent measures" to ensure all wages and pensions were paid on time.

Western financial institutions and investors are concerned about the apparent shift in economic priorities, fearing it could trigger a massive increase in public spending which would bring high inflation and weaken the rouble.

But Communist leaders have welcomed the trend, saying that Mr Yeltsin is adopting their economic agenda.

Chernomyrdin: pay queue

"We see that the government and the president are implementing our policies," said Mr Gennady Selezniev, a senior Communist politician who was elected speaker of the parliament this week. "They [current Russian leaders] say they are not listening to us, but, in actual practice, they are."

In particular, Mr Selezniev congratulated the Kremlin for sacking Mr Chubais, whom he described as "the most odious figure" in the government, and supported the president's new emphasis on social welfare spending.

But the real test of how sharply Mr Yeltsin plans to alter his economic course will be his choice of a successor for Mr Chubais.

Mr Alexander Livshits, the president's senior economic adviser, is said to be the front-runner for the job. But some Russian observers yesterday speculated that Mr Vladimir Kadannikov, the director of the Avtovaz car company, which produces Ladas, was also being considered.

Mr Kadannikov represents the manufacturing sector, hit hard by the government's belt-tightening measures. He is a long-standing rival of Mr Chernomyrdin and his appointment would be seen as a blow to the moderate Chernomyrdin faction in the government.

Tension rises ahead of Bosnia pull-out

By Paul Wood, recently in Serb Sarajevo

Military forces from all sides in the Bosnian conflict are due to complete their withdrawal behind agreed lines by the end of today, the first crucial date in the Dayton Agreement's military annex.

But tension remains high in Serb suburbs of the Bosnian capital, Sarajevo, which is due to be reunited under the Moslem-Croat federation. According to the Dayton agreement, the mainly Moslem forces of the Bosnian government could enter the Serb suburbs at the end of March.

Mr Momcilo Krajisnik, speaker of the Bosnian Serb assembly, said he feared an exodus of almost all residents from the Serb-held suburbs. He described the city as "a barrel of gunpowder".

The military commander in the Serb suburb Grbavica, Captain Vukotar Lekovic, promised to co-operate with the French Ifor troops who will provide a transitional "security blanket".

But he could give no assurances about what would happen when Moslem police and soldiers arrived. Weapons under his command were being handed over to the Bosnian Serb police.

By nightfall, the mountain road leading from the Serb suburbs of Ilidza and Grbavica was jammed with cars and trucks. Factories, offices and homes are being stripped of everything as the deadline for the handover nears.

In one apartment block in Grbavica, all but two flats have been emptied. A soldier, Alexander Indjic, was loading the last of his bathroom fittings into an army truck. Some residents have paid as much as DM1,500 ($1,040) to hire a vehicle to take their belongings, many times what most families would earn in a year.

Mr Indjic said he was moving into a house in the former government-held enclave of Srebrenica abandoned by its Moslem occupants when the Serbs attacked in July.

"If I stay here when the Moslems come, I will be finished. The people are scared. Many died for this land, many children. Now we have to leave, without firing a bullet, leaving even our cemeteries."

Brigadier Andrew Cumming, Ifor's senior spokesman, talked of his "sadness" at what was happening in Sarajevo. The Bosnian capital remained a big potential problem for the peace implementation force.

Ifor commanders have appealed to the Serbs to stay in their homes. But they say they cannot interfere with the lawful free movement of civilians, one of the rights set out in Dayton, but will try to protect property in the Serb suburbs while the owners are away.

Computers containing sensitive testimony on alleged human rights violations in Croatia have been stolen from the United Nations compound in Zagreb, UN officials said yesterday, Reuter reports from Zagreb. Mr Philip Arnold, information director at the sprawling UN Peace Forces headquarters in Zagreb, said the theft was a routine burglary aimed at stealing the equipment and not the data, which was believed to be also stored elsewhere. He said officials were still trying to determine exactly what information had been on computer discs when the equipment was stolen at the weekend. UN officials say about 90 per cent of the material was backed up on discs and initials rather than full names were used in the testimony.

Finnish finance minister decides to step down

Christopher Brown-Humes in Stockholm

Mr Iiro Viinanen, Finland's finance minister, said yesterday he was stepping down after five years dominated by tough austerity programmes. He has been asked to take over as chief executive of Pohjola, one of Finland's top insurance groups.

Mr Sauli Niinisto, a fellow conservative and the present justice minister, is strongly tipped to take Mr Viinanen's place, underlining the five-party coalition government's continued commitment to fiscal discipline.

Mr Viinanen, 51, came to symbolise Finland's battle to clean up its finances after it was hit by an unprecedented slump that wiped 15 per cent off gross domestic product between 1990 and 1993.

Since taking over as finance minister in 1991, he has implemented or set in train a FM50bn ($11.4bn) programme of spending cuts, around 10 per cent of GDP.

His association with the programme meant he retained his post when a Social Democratic-led government succeeded the previous centre-right coalition last year. The measures won the confidence of financial markets, bringing a sharp upturn in the markka and a big drop in bond yields over the last two years. They were also recognised by Euromoney magazine, which made him its finance minister of the year in 1994.

But Mr Viinanen's critics argued that Finland paid too high a price for the austerity drive as unemployment was forced up from 3 per cent of the workforce to 20 per cent in just three years. Despite a surge in economic growth in 1994 and 1995, it remains at 17 per cent.

Mr Viinanen indicated he was anxious to step down last autumn, partly to give his successor plenty of time to settle into the job before Finland's next general elections in 1999. At that stage, it seemed he had been persuaded to stay on by Mr Paavo Lipponen, the prime minister.

Mr Viinanen made it clear yesterday that he was not leaving office because of any disagreements with government policy. A final decision on his appointment at Pohjola will be taken next week.

NEWS: ASIA-PACIFIC

Japan bailout plan hits further setback

By Gerard Baker in Tokyo

The Japanese government's plan to spend Y685bn ($6.7bn) on a bailout of collapsed housing loan companies received a further political setback yesterday when it was reported a number of former senior finance ministry officials had taken lucrative jobs with the companies at the height of their lending excesses.

The Asahi Shimbun newspaper said 12 finance ministry officials had become presidents or chairmen at the seven mortgage lenders when they had retired from the ministry in the late 1980s. At that time, the housing lenders were beginning a wave of speculative property-related lending that faltered when land prices fell in the early 1990s.

The disclosure will increase pressure on the government to modify its unpopular bailout package. The plan has to be approved by parliament in what promises to be a stormy session beginning next week. Opposition parties have pledged to attack the plan; some ruling coalition members are understood to have reservations about it.

Mr Ryutaro Hashimoto, the prime minister, has promised the price of approval of the bailout will be a full inquiry and strict allocation of blame among those held responsible. The news the companies were led by senior ex-bureaucrats will strengthen calls to overhaul the finance ministry's role in financial regulation.

The newspaper also disclosed new details about the links that have tied the housing lenders to Japan's leading financial institutions. Japan's largest banks founded the companies in the 1970s and many ex-bank officials still occupy senior roles. In all, 73 of the most senior 78 executives at the companies are former officials of the finance ministry, banks, stockbrokers or life assurers.

The number of bureaucrats-turned-managers fell after 1990 as the ministry belatedly clamped down on property lending by banks. However, public mistrust of financial institutions and regulators in Japan remains intense.

They are all widely blamed for creating the country's present financial crisis, of which the housing loan problem is merely the most pressing manifestation.

Opinion polls show two-thirds of the public against the bailout plan.

China seeks to woo Jardine back to Hong Kong

By Louise Lucas in Hong Kong

Mr Lu Ping, China's top official on Hong Kong affairs, yesterday issued an indirect invitation to the Jardine group, which delisted its shares from the Hong Kong stock exchange at the end of 1994, to return to the territory.

In an effort to demonstrate China's commitment to freedom of movement in Hong Kong, he said: "Our policy welcomes people, including Jardine's, returning to Hong Kong. If Jardine's finds Singapore is not as good as Hong Kong, we welcome the company to return to the territory."

It is barely three years since attacks from Beijing were urging Jardine to *gui xi*, a double entendre on "go west" which also means "go to hell". Mr Lu's remarks, made to a delegation of Hong Kong business chiefs, follow rumours in the market suggesting Jardine will return to the Hong Kong bourse. However this speculation, which has helped chase up the price of stocks within the group in recent weeks, has been denied by the company, at least for the near term.

Three years ago China was urging the company to leave the colony

Mr Neil McNamara, group corporate secretary, said Mr Lu's comments were merely made in conversation. Hong Kong remained the key focus of Jardine business, accounting, together with China, for some 50-60 per cent of group profits. However, he reiterated the group's longer-term hopes to see Jardine stock again traded in Hong Kong or Shanghai.

Mr Lu, like most of his peers in the upper echelons of China's Communist party, is not given to loose talk; nor is it likely he is courting the company perceived by China to symbolise the evils of imperialism. Five of the companies in the Jardine stable quit the Hong Kong stock exchange after failing to win regulatory exemption from the colony's takeover code, in what many saw as a lack of trust in Hong Kong's new masters.

Mr Lu tried to assuage Hong Kong citizens' fears that the post-colonial government would simply be a puppet administration of Beijing. People who believed there would be a "party secretary" alongside the legislature, judiciary and chief executive, as the governor's successor will be called, clearly misunderstood the "one country, two systems" policy for the territory, he said.

Hanoi ready to step up reabsorption of refugees

By Peter Montagnon and Jeremy Grant in Hanoi

Vietnam has cleared the names of a further 9,000 boat people for repatriation from Hong Kong over the past couple of months, as an indication it may be preparing to respond to international pressure to step up reabsorbing the 37,000 refugees in camps around Asia.

The clearances will be welcomed by British officials, who are under pressure from Beijing to repatriate all the 21,000 Vietnamese remaining in the colony before Hong Kong is returned to Chinese rule in 1997, aid workers said. Before last November only 2,000 names had been cleared.

The numbers of refugees returning to Vietnam fell sharply last year, largely because of legislative proposals by two US congressmen, Mr Chris Smith and Mr Ben Gilman, which might have opened the door for settlement in the US. But aid workers say the attention generated by the US proposals masked a slow response to the problem by Vietnam.

In all, only 3,186 Vietnamese returned home from Hong Kong last year. This is well below the level required to complete the pro-cess by 1997, prompting worries that tension in the run-up to the handover would be worsened by Sino-British arguments about the boat people, as well as a possible widely publicised rise in forced repatriation.

Hanoi would prefer not to deal with China over the boat people in Hong Kong after 1997

Among new factors are Vietnam's membership of the Association of South East Asian Nations, which has brought pressure from Thailand, Malaysia, Indonesia and the Philippines to take back refugees in their countries.

Some aid workers believe Vietnam would prefer to avoid having to deal with China on any refugees remaining in Hong Kong after 1997.

Pressure is likely to increase after last weekend's meeting in Bangkok of countries involved in the UN-sponsored Comprehensive Plan of Action on refugees.

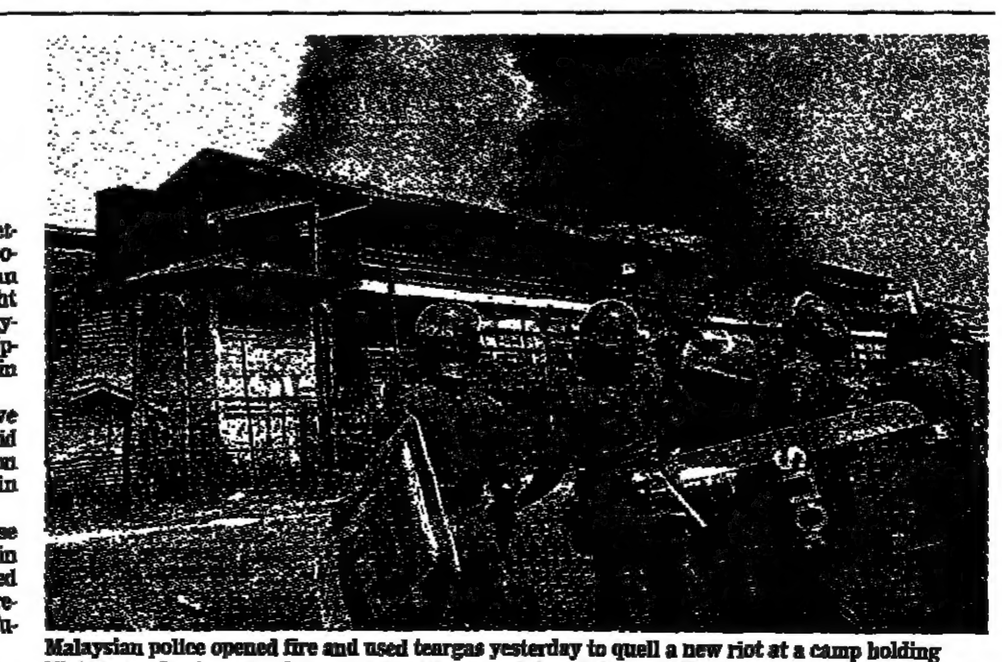
But participants say the levels of repatriation may still depend on the degree to which refugees abandon hope of US settlement opportunities.

As an alternative to the Smith/Gilman plan, the Clinton administration has proposed a scheme which would involve resettlement screening of refugees by the US but only after they first travel to Vietnam. The idea has met with little enthusiasm from the authorities in Hanoi.

"The US proposal is the US's business," said Mr Dinh The Lap, director of the refugee office at the ministry of labour. "The Vietnamese government is carrying out a policy of receiving the returnees without any discrimination."

Mr Lap declined to discuss the US proposal in detail, but aid workers say Vietnam does not want US officials administering the scheme inside Vietnam.

It is concerned that the eligibility criteria should remain rather vague and feels it would be unfair on those who have already returned and been re-absorbed.



Malaysian police opened fire and used teargas yesterday to quell a new riot at a camp holding Vietnamese boat people. Seventeen inmates were injured. Some of the 4,300 inmates torched their huts and hurled bombs at police after they tried to search the camp. AFP, Kuala Lumpur

ASIA-PACIFIC NEWS DIGEST

Japan increases Pakistan loans

The Japanese government yesterday announced a sharp increase in official lending to Pakistan. The Japanese foreign ministry announced yesterday during a visit to Tokyo by Pakistani prime minister Benazir Bhutto that it had allocated an extra Y20bn ($190m) to finance a hydro-electric power plant in northern Pakistan.

The 30-year untied loan with an interest rate of 2.3 per cent brings to Y49.8bn Japan's outstanding official loans to Pakistan. Ms Bhutto, the first foreign leader to visit Japan since its change of government last week, came under pressure from Mr Yukihiko Ikeda, the new foreign minister, to join the Nuclear Non-Proliferation Treaty. In reply, she reiterated Pakistan's position that it would join the treaty only if India signed up at the same time.

Ms Bhutto, on a mission to improve bilateral ties, is today to open a conference on investment in Pakistan, to be attended by business leaders from both countries.

Addressing a lunch with Japanese businessmen yesterday, she called for greater co-operation in computer software between the two countries. *William Dawkins, Tokyo*

Australian trade deficit may rise

Merchandise imports into Australia rose 4.6 per cent to A$6.59bn (£3.18bn) in December, leading to fears that the monthly current account deficit could head back towards A$2bn when export figures are released in a few weeks. The rise in imports was larger than most analysts had forecast: some had been predicting a decline. Yesterday's data was generally interpreted as further evidence the Australian economy did not slow sharply in the fourth quarter of 1995, as once feared. A poor December current account outcome would also be further reason for the Reserve Bank to hold off on any interest rate cut before the federal election, due in the first half of 1996. *Nikki Tait, Sydney*

Taiwan telecoms draw investors

Domestic and foreign companies are positioning themselves to enter Taiwan's fast-growing telecoms market following parliamentary approval this week to liberalise it. Some of Taiwan's biggest business groups, including the foods concern, President Enterprises, Pacific Wire and Cable, the diversified Rebar group, Northern Telecom of Canada, Hong Kong Telecom and Sweden's Ericsson are seeking a role. This is despite a last-minute decision to lower the maximum foreign stake in certain domestic telecom ventures to 20 per cent from one-third. The ceiling applies to international and domestic phone services, and the China Telecommunications Corp., to be spun off from the state telecoms agency. Foreign companies expressed disappointment at the change but remain undeterred. *Laura Tyson, Taipei*

Indian resignations approved

Indian president Shanker Dayal Sharma has accepted the resignations of three cabinet ministers, clearing the way for the government's Central Bureau of Investigation to prosecute them in a $18m bribery and money-laundering scandal which broke on Tuesday, only months before a general election.

Mr Madhavrao Scindia, the human resource development minister, Mr Balram Jakhar, the agriculture minister and Mr Vidya Charan Shukla, the parliamentary affairs minister, reluctantly submitted their resignations after Mr Narasimha Rao, the prime minister, hinted that they would not be protected. All three ministers claim they are innocent. *Shiraz Sidhva, New Delhi*

NEWS: INTERNATIONAL

Breakthrough in nuclear test ban talks

By Frances Williams in Geneva

A landmark comprehensive nuclear test ban treaty can be agreed by the summer, disarmament negotiators said yesterday.

Mr Ludwik Dembinski of Poland, chairman of the CTBT negotiations in Geneva, said "substantial progress" had been made in the past few weeks on key aspects of the draft treaty.

"There is a political will to conclude this treaty within the next six months... I would rate the probability of success as very high," he said.

About 90 countries, including all five declared nuclear weapons states, have been negotiating for two years under the auspices of the UN disarmament conference.

The main outstanding issues are said to concern the scope of the treaty ban, the conditions for its entry into force and the problem of on-site inspection. Non-aligned nations are also battling to secure commitments from the nuclear weapons states to future disarmament measures.

Mr Dembinski noted that four of the five declared nuclear powers – the US, France, Britain and Russia – have agreed on a "zero-yield" approach banning all nuclear explosions however small.

China is still holding out for an exception to be made for "peaceful" nuclear devices, though it has no support from other nations. Other indications suggest China may be willing to join in a consensus on a "zero-yield" ban, according to western officials.

Mr Stephen Ledogar, US disarmament ambassador in Geneva, said last October that "it appears now that all five nuclear weapons states are on board" for a zero-yield treaty. However, China has not confirmed its support.

Elsewhere, there is apparently agreement on the technical verification regime – using a variety of detection systems – and on the principle, though not yet the details, of on-site inspection as a last resort.

Progress has also been made on institutional matters, Mr Dembinski said. Vienna has offered to host the new treaty monitoring body, which will need to work closely with the International Atomic Energy Authority already based in the Austrian capital.

The US, Britain and Russia are observing a moratorium on nuclear testing while the negotiations proceed. France, whose latest series of nuclear tests in the Pacific has sparked international outrage, says it will conduct its last nuclear explosion next month

Arafat set for landslide but democracy may come second

In the back streets of the West Bank town of Nablus a group of angry young men surround two youths putting up posters calling for a boycott of the first Palestinian elections, to be held tomorrow.

The youths, associated with the Islamic Hamas movement, are quickly escorted to the police station for questioning by men claiming to be members of the increasingly notorious Palestinian Preventive Security Apparatus.

The incident is one of many in the election campaign, which ended yesterday, that could amount to a serious breach of democracy by Mr Yassir Arafat, the Palestinian leader, his dominant Fatah faction and his security forces.

Mr Arafat and Fatah appear set for a landslide victory in two separate ballots: one for president of an executive authority and the other for an 88-member legislative council.

Hundreds of foreign observers, led by the European Union, are overseeing the electoral process and will decide next week whether the elections have been free and fair.

They will have to assess a series of incidents involving Palestinian officials before polling day, including: the arrest of a prominent newspaper editor, a human rights worker and at least one opposition electoral official; the intimidation of opposition groups such as Hamas; the intervention by Mr Arafat in the internal democratic primaries of Fatah; the partiality of the Palestinian media; bribes made to opposition candidates to withdraw their nominations; and a series of decisions made by Mr Arafat about the rules and regulations of the campaign.

The observers will principally have to decide to what extent the incidents mark a determined campaign of manipulation and intimidation rather than a series of technical problems and minor incidents, many committed by local hot-heads.

"The elections are part of a larger political dynamic," said Mr Eric Bjornlund of the US-based National Democratic Institute for International Affairs, which, together with the Carter Centre, is participating in the observation process. "From the way the elections have been conducted we will be able to forecast how democratic the society will be and the possibility for democratic governance."

Some of the worst abuses have taken place in the West Bank constituency of Salfit where the local Fatah candidate faces stiff opposition from the former communist People's Party of Palestine, the best organised political party to be taking part after Fatah. Last week Palestinian security personnel burst into an election meeting being addressed by Mr Khamis al Hammad, the PPP candidate, and promptly arrested his campaign manager, Mr Thamin Yusuf Badah.

Mr Badah was taken to Jericho and detained for three days. He was released without charge or explanation after the intervention of observers.

Several other people have also been arrested in Nablus and Hebron for putting up boycott posters or distributing leaflets critical of Fatah, the elections and the Israeli-Palestinian peace accords. Some are still being held.

The arrests and the intimidation of the media are probably the single biggest challenge to the democratic process. Mr Arafat's intervention in the selection of candidates is the second. The veteran Palestinian leader overturned internal primaries in Fatah and replaced many candidates chosen by the local Fatah membership with his own loyalists.

For example, in Arab east Jerusalem, Mr Hatem Eid, a local Fatah activist who won the most votes inside Fatah and was due to top the list, was rejected by Mr Arafat and replaced with Mr Abu Ala'a, the right-hand man who served Mr Arafat for years in exile.

Several candidates who won the internal primaries but were blacklisted by Mr Arafat decided to go ahead and run as independents. They have been threatened with serious consequences for their challenge. According to the right-wing Israeli observer group, Peace Watch, five independent candidates were also successfully bribed to drop out of the race by being given senior jobs in the Palestinian ministries.

A third issue has been access to the media by the candidates. Reporters sans Frontières, the Paris-based group monitoring media coverage, has alleged a "profound imbalance" in favour of Fatah and Mr Arafat.

The EU has expressed many concerns during the campaign about the arrests, changes of the electoral laws and the campaign period and the intimidation. But it says it also has to assess to what extent Israel has allowed a free and fair poll. In particular, the EU has criticised the arrest by Israeli forces of a candidate in Hebron; the denial and the delay in issuing permits to allow free movement; and restrictions placed by Israel on the voting procedures in east Jerusalem.

Mr Ian Blackey, EU spokesman, said yesterday the observer mission had been impressed by the lack of any serious violence and the way Palestinian officials had reacted quickly to terminate abuses raised by the EU.

Critics say it is almost impossible for the EU to do anything other than certify the elections free and fair, albeit in a qualified manner. They say that because the EU has invested Ecu10m (£7.9m) in the observation process alone, and was responsible for the technical assistance in preparing the elections, it has too much of a vested interest in making the process a success.

The EU denies the allegation. But it knows that it must tread a thin line between the strict democratic judgments involved in election observation and the broader political picture of the Arab-Israeli peace process.

Julian Ozanne

Demonstrators in the Palestinian town of Hebron yesterday calling for a boycott of tomorrow's elections AP

INTERNATIONAL NEWS DIGEST

Morocco urged to cut tariffs

Morocco has been making a significant push to liberalise its services sector, especially banking, and sell state-owned companies, but needs to revitalise the reform programme in other areas of the economy, the World Trade Organisation says in a report published yesterday.

The report is critical of high trade barriers protecting Moroccan farmers and manufacturers which it says raise costs for the important tourist industry and more advanced manufacturing activities. Despite the good results of earlier liberalisation efforts, "internal resistance and administrative and legislative delays seem to have blunted the initial enthusiasm" for reforms, the WTO says.

Agriculture, once the mainstay of the Moroccan economy, has shrunk in importance because of persistent drought, the report notes. Services now account for more than half the country's GDP.

Foreign exchange earnings from tourism already match those from farm and fish exports, which together with textiles, clothing and phosphate generate 80 per cent of Morocco's merchandise export earnings. *Frances Williams, Geneva*

Algerian party leader quits

Mr Abdelhamid Mehri, secretary general of Algeria's National Liberation Front (FLN), the former ruling party, has resigned, following criticism within his party for calling for a boycott of last November's presidential election. The boycott was largely ignored and associations that form the core of the FLN voted for Mr Liamine Zeroual, the former general who won a landslide victory.

Some members of the central committee had also been uneasy about the FLN's alliance with the Islamic Salvation Front, the banned party which was set to win the 1991 elections before they were cancelled by the government, provoking four years of violence. *Foreign Staff*

Kenya and Uganda reconciled

Feuding neighbours Kenya and Uganda were publicly reconciled yesterday at border talks when their leaders pledged to work together and revive the East African economic community. President Daniel arap Moi of Kenya said economic co-operation between Uganda, Kenya and Tanzania would be of great benefit to the region's 80m people.

Relations between the Kenyan and Ugandan leaders soured when President Yoweri Museveni seized power in Uganda in 1986 after a five-year bush war. They deteriorated sharply last year when Kenya accused its neighbour of harbouring Kenyan rebels. Mr Museveni angered Mr Moi in 1987 by diverting trade from road to rail, a move which saved millions of dollars but hit profits of Kenyan truck companies, many owned by politicians. The idea of a regional economic community was revived in 1993 but failed to take off because of bitter wrangling between Mr Moi and Mr Museveni, who differ both by ideology and background. *Reuter, Malaba, Kenya*

Military ruler's son dies in crash

Ibrahim Sani Abacha, 34, the son of Nigeria's military ruler General Sani Abacha, and 13 other people were killed when their private jet crashed in the northern city of Kano, officials said yesterday.

The crash happened on Wednesday night, five minutes before the presidential Falcon aircraft was to land in Kano. The News Agency of Nigeria said the pilot reported engine problems shortly before the crash. *AP, Lagos*

NEWS: WORLD TRADE

US may appeal against WTO ruling

By Frances Williams in Geneva

The US is considering an appeal against a World Trade Organisation dispute panel judgment that US regulations on cleaner petrol discriminate against imports.

The panel decision, the first by the WTO, upheld complaints by Venezuela and Brazil against a rule issued by the US Environmental Protection Agency (EPA) in December 1993 which sets a different standard for imported "reformulated" gasoline than for the domestically-refined version.

The WTO report, which was circulated to the three parties on Wednesday, said that while the US had every right to set its own environmental standards it was in breach of fair trade rules by treating imports less favourably.

Expressing disappointment with the decision, Mr Mickey Kantor, US trade representative, said: "We will be carefully reviewing the panel's reasoning and our legal options, and will be consulting with Congress and interested members of the public about our next steps."

Under WTO rules, the US has 60 days to appeal against the ruling once the report is circulated to all WTO members on January 29. The appellate body then has 60 days (exceptionally up to 90 days) to give its verdict, which is binding unless overturned by consensus.

The US Clean Air Act requires petrol sold in heavily polluted urban areas to contain reduced levels of toxic and smog-causing contaminants, and for petrol sold elsewhere to be no dirtier than in 1990.

However, the EPA rule, in force since January 1995, allows domestic refineries to use actual 1990 quality levels as a baseline while imports are judged by a statutory baseline reflecting average US values in that year.

Venezuela, the largest exporter of gasoline to the US, and Brazil claimed that this obliged their refiners to meet a stiffer test than many US suppliers, harming export deliveries.

After Venezuela first challenged the rule in 1994, the EPA apparently sought to equalise the treatment of imported and domestic fuel but this was refused by Congress, which saw enforcement problems in relying on overseas refinery data. From 1998, however, imported and domestic reformulated gasoline will be treated identically.

Trade officials in Geneva speculated yesterday that a US appeal was likely despite the strong legal case against it. "They will look wimpish if they don't," said one official, citing political pressures in a presidential election year from President Bill Clinton's Republican challengers as well as the vocal environmental lobby.

This first panel ruling is seen as an important test of the WTO's ability to enforce international trade rules. Under its strengthened procedures for dispute settlement, countries can no longer block rulings against them or resist implementation as they could in the General Agreement on Tariffs and Trade, the WTO's predecessor.

Despite Mr Kantor's statement that "a WTO panel or appellate body report has no force under US law", as a WTO member the US is bound by its rules and could face trade penalties for non-compliance with dispute settlement judgments.

Some 25 disputes have been brought to the WTO since its creation a year ago.

Advanced cable link for the Caribbean

By Alan Cane

Cable and Wireless is to invest \$28.3m in an optical fibre system to link Jamaica, Grand Cayman and Cayman Brac.

The system will handle 30,000 simultaneous telephone calls and provide capacity for advanced telecoms services in the area, including regional and international banking, medical imaging, cable television and distance teaching.

Some \$21m of the total is being spent with Alcatel Submarine Networks, which will provide the undersea cable network. The system will incorporate the longest link in the world to operate at 2.5bn bits of information a second without using electronic boosters ("repeaters") on the seabed. It will also be laid at a depth of 6.8km through the Cayman Trench, deeper than any previous repeaterless system.

The Caribbean is one leg of C&W's development strategy. Since 1991, it has invested \$1bn in the region and plans to invest a similar amount over the next five years.

Installation will begin in August with commercial services starting in October.

Superhighway takes to the seas

Four glass-fibre strands the thickness of a human hair will carry 600,000 simultaneous conversations around the world. Alan Cane reports

A \$1.5bn project to create an "information superhighway" accessible to three-quarters of the world's population has begun to take shape with the laying of the first stages of the Flag (Fibreoptic Link Around the Globe) cable system.

The cable-laying ship C S Nexus, owned by Cable & Wireless Marine of the UK, began laying the cable off Palermo, Sicily, after clearance vessels had prepared the way. Some 16 segments of cable will be installed over the next 18 months.

When completed in 1997, the cable will be the longest man-made structure, stretching 28,000km from Porthcurno in Cornwall, England, to Miura in Japan with landing points in Europe, the Middle East and Africa and Asia. The system is being built by a consortium of AT&T Submarine Systems of the US and KDD Submarine Cable Systems of Japan.

It will provide 120,000 high speed (64 kilobit per second) circuits in a region chronically short of telecommunications capacity. Without Flag, only 30,000 circuits would be available in the region by 1997, compared to approximately 200,000 circuits across the Atlantic and the Pacific Oceans.

Physically, Flag consists of four glass-fibre strands each about the thickness of a human hair surrounded by armour to protect it against everything from fishing gear to inquisitive sharks. It will be able to carry 600,000 conversations simultaneously.

The first few hundred kilometres of cable laid off Sicily have high symbolic significance for a project which has been several years in the planning and still faces substantial technological and financial risks. It has been funded privately by a consortium of Nynex Network Systems of the US, the project manager, Dallah–Al Baraka Group of Saudia Arabia, the Asian Investment Fund of Hong Kong, Telecom Holding Company of Thailand, Marubeni of Japan and Gulf Associates and GE Capital of the US.

Some 50 telecoms carriers from 45 countries, including AT&T and Sprint of the US and KDD of Japan, have agreed to purchase capacity on the cable. Total capacity sold is estimated at more than \$400m, although that is only a small proportion of the total capacity of the cable, which will be able to carry sophisticated traffic including medical imaging, long-distance learning, video-conferencing, multimedia and high definition television.

Flag: the east-west connection

Source: AT&T Submarine Systems Inc

In a move unusual in the telecoms cable business, carriers are not providing funding for the project and will purchase capacity only when they need it. Many of the regions it will serve currently depend on satellite transmission. Fibre-optic cable, however, provides increased security, speed, and accuracy of transmission as well as the capacity for advanced and two-way transmissions.

Technological risks include the danger of breakage underwater. The cable has a planned 25-year life and uses components no more than once in every 10bn hours of use.

The cable is heavily armoured, especially near the shore where it might encounter anchors or fishing gear, and may be buried in trenches in the sea bed up to a metre deep.

Scania dips toe in Chinese waters

By Hugh Carnegy in Stockholm

Scania, the Swedish truck maker, said yesterday it had signed a joint venture agreement to build buses in China and was considering a similar move into truck production. The announcement reverses Scania's earlier refusal to make industrial investments in China because of rules barring foreign majority control over vehicle manufacturing.

Scania said it had agreed with the Shandong Bus Corporation, in the eastern province of Shandong, to start a 50-50 joint venture to produce up to 1,000 inter-city buses a year in the city of Liaocheng. The initial investment was \$10m.

Mr Lief Ostling, chief executive, said the equal ownership agreement, which has been backed by the provincial government but still requires approval by national authorities, gave Scania day-to-day control over the joint venture's operations under a chief executive to be appointed by Scania.

"It is vitally important to us that we find a structure which gives us that management control," he said.

Mr Ostling added that Scania was also researching investment in truck production in China, but these plans remained at an early stage. The bus company investment was "a small step into the Chinese market. The important thing is to build up experience of operating there."

Scania – the world's fifth largest and most profitable heavy truck maker – is scheduled for stock market flotation, possibly this year, by its owner, Investor, the main holding company of the Wallenberg industrial empire.

Its cautious approach to China has made it one of the slowest of the main European truck makers to enter local production. But the Swedish company clearly feels it must be prepared for the longer-term potential. In 1994 it had a 5 per cent share of the Chinese heavy truck market through imports, behind its rivals Mercedes and Volvo.

WORLD TRADE NEWS DIGEST

Foreign groups thrive in Japan

Foreign companies fared better than Japan's domestic businesses during the recession, according to a survey published yesterday.

Nearly half the foreign companies based in Japan increased their sales during the economic downturn, according to the Japan External Trade Organisation. Of a poll of 578 foreign investors, 46.7 per cent increased their sales over the past three years, while just over a fifth managed sales increases of more than 10 per cent. Japanese companies' domestic sales fell by an average of 0.8 per cent during the same period.

The foreign companies recorded an average 3 per cent pretax profit as a proportion of sales in 1993, twice as high as Japanese businesses in the same year, according to Jetro.

The survey showed a surprisingly high number of foreign companies in Japan, 37.3 per cent, were planning to hire extra staff this year. This contrasts with the recruitment freeze by many leading Japanese companies. *William Dawkins, Tokyo*

Daewoo plans \$1.2bn chip plant

Daewoo Electronics is considering building a \$1.2bn semiconductor factory in Europe. According to Electronic Times, the weekly industry newspaper, the new plant would produce custom-designed integrated circuits for the Korean group's existing European consumer electronics plants. These include a video recorder plant in Antrim, Northern Ireland and television factories in France and Poland.

Daewoo is understood to have held preliminary talks in Ireland which have secured a number of high profile semiconductor investments recently. Other potential sites are believed to include the UK.

If the new Daewoo facility is built in Europe it would be the latest in a string of new investments in the region by leading chip manufacturers which are experiencing strong demand for their products. *Paul Taylor, London*

Strong yen hits ship exports

The strong yen in the first half of last year caused a sharp fall in Japan's ship exports in 1995, although it remained the world's largest ship exporter. The Japan Ship Exporters' Association said exports fell by 18.2 per cent in the year to 8.1m gross tons. In the first few months of the year, orders declined rapidly as the yen climbed to its highest level against the US dollar since the second world war. But by the end of the year, as the yen fell back, orders had begun to rise.

Japanese shipbuilders received orders for 36 oil tankers totalling 1.25m gross tons, 47 freighters at 1.32m gross tons and 171 bulk carriers at 5.52m gross tons. It was their third largest combined order book in the last 10 years. The figures put Japan still some way ahead of South Korea, whose contracts amounted to 7.13m gross tons. *Gerard Baker, Tokyo*

Taiwan group to build US plant

Chi Mei Industrial, a Taiwanese petrochemical company, plans to invest around \$100m to build a styrene monomer (SM) plant in the US, the company's first overseas investment. The company is reviewing sites in Texas and Louisiana for the 500,000 tonnes a year facility.

Chi Mei is the world's biggest consumer of SM. This will be its the first venture to produce SM, a key ingredient in acrylonitrile butadene styrene (ABS), used to make plastic products including casings for computers and other electronic goods. Chi Mei is the world's biggest producer of ABS, at about 1m tonnes a year or roughly 55 per cent of world production. *Laura Tyson, Taipei*

$600m deal agreed on US drugs price claims

By Richard Waters in New York

A group of big pharmaceuticals companies has agreed in principle to pay $600m to small retail pharmacists in the US to settle claims of price-fixing. The deal throws into question the way companies charge for their products in the world's biggest drugs market.

The proposed settlement marks the culmination of a class action lawsuit concerning the drug makers' discounting practices. Retail pharmacists generally pay far more for a drug than do the large, managed care organisations which have come to dominate much of the US market.

Managed care groups have forced the pharmaceuticals companies to offer discounts by refusing to stock their products if they do not. Such organisations often control the prescribing practices of large groups of doctors, giving them a powerful position when negotiating for discounts.

The class action accuses the drugs manufacturers of colluding to keep prices high for retail pharmacists, helping to make up for the discounts offered to managed care groups.

The drug makers, for their part, have always denied this, and said that any discounts are only volume-related.

None of the companies believed to be involved in the provisional settlement – including the US groups Merck and Pfizer, along with Glaxo Wellcome and SmithKline Beecham of the UK – would comment on the deal. Several, however, issued statements denying price-fixing.

Pfizer said: "If a settlement is agreed upon, it will in no way acknowledge any inappropriate conduct."

Merck, the US's biggest pharmaceuticals group, said that its "business practices, including discounting practices, are completely lawful... Merck has always priced its products independently. We have not engaged in any conspiracy."

One drugs company executive said the decision to settle the case, rather than go to trial, reflected a recognition that US juries tend to side with plaintiffs against big drugs companies, and that it would be difficult for the companies to win the case. Pfizer called the case "a prime example of the need to fundamentally reform our civil justice system."

An executive at one US drugs company said the settlement would not result in a big windfall for the 40,000 small "mom-and-pop" drugs stores who stand to benefit.

Secular 'saint' eyes Quebec breakaway

Federalist disarray means independence may be hard to stop under Bouchard, says Bernard Simon

A new era in Quebec politics is about to begin as the charismatic Mr Lucien Bouchard prepares to take over this month as premier of the French-speaking Canadian province.

In spite of Quebec's economic problems there is a growing sense that with federalists in disarray the march to independence under Mr Jacques Parizeau's successor will be difficult to stop.

Mr Parizeau has spent a long political career, including the past 16 months as premier, trying to turn Canada's French-speaking province into an independent country, but it was Mr Bouchard's drive that nearly saw separatists triumph in last year's referendum.

Earlier this week Mr Parizeau held one of his last cabinet meetings in Quebec City. Instead of devising ways to push the independence project forward, it was devoted mainly to drawing up proposals for sweeping reform of the province's bloated public sector.

Mr Bouchard, is expected to finalise the austerity plan shortly after he takes office on 29 January. Québécois are likely to be pre-occupied for at least the next few months with such issues as health, welfare and education reform, and the restructuring of local government.

But will the new emphasis on economic and fiscal issues help or hinder the independence cause?

Separatists' hopes have been buoyed by the unexpectedly tight result of last October's referendum, in which 49.4 per cent of voters backed secession. Mr Bouchard had an electrifying impact on the campaign with his pragmatic tactics and captivating oratory.

The political climate in Quebec has moved further in the secessionists' favour since the referendum. Mr Gilles Therrien, president of SOM, a Quebec City polling firm, says: "It would take major changes to deflect this trend."

Bouchard: his first concern will be the poor economic outlook Reuter

Mr Bouchard, formerly leader of the Bloc Québécois, which represents the separatist cause in the federal parliament in Ottawa, will take office with a strong hand.

Awe at his referendum performance and his rapid recovery from a near-fatal disease early last year, which led to the amputation of his left leg, have left Mr Bouchard, 58, with the aura of a secular saint. No other candidate has contested the leadership of the province's ruling Parti Québécois, even though Mr Bouchard has never been active within the party.

Mr Bouchard has no shortage of problems to deal with. Quebec's unemployment rate, at 11 per cent, is well above the national average. The Montreal area, home to more than a third of Quebec's 7m inhabitants, is especially depressed.

Quebec has made less progress than most of Canada's nine other provinces towards balancing its budget. Its debt-to-GDP ratio of 56 per cent is the second-highest after Newfoundland, and it expects to post a C$4bn (US$2.9bn) deficit in the fiscal year ending March 31.

Although Quebec's A-Plus credit rating is not in immediate jeopardy, a US$500m public bond issue floated by the government last week offered terms that would normally apply to a less creditworthy borrower.

Most Québécois are braced for tough measures, including public-service cuts, job losses and radical changes in government structures. Mr Bouchard and his advisers are confident they can push through the austerity programme without serious political damage.

"What is popularity? It's political capital," the premier-in-waiting said in Montreal this week. "If you don't use your political capital, you will never achieve anything."

It will not all be plain sailing, however. Mr Bouchard's ability to put the economy on an even keel without jeopardising the goal of independence will depend heavily on whether he can tame two groups of separatism supporters – Quebec's powerful public-sector trade unions and the PQ's strong-willed and fractious organisers.

Mr Bouchard has little experience in government apart from a brief stint as a member of former Conservative prime minister Mr Brian Mulroney's cabinet in the late 1980s. He kept a tight rein on the Bloc Québécois during his latter years in Ottawa, gaining a reputation as someone who likes to have his own way.

An adviser to one cabinet minister predicts: "The heart of the PQ will do anything to get to sovereignty." But a Quebec City lobbyist takes a different view, saying that Mr Bouchard's pragmatic approach may not go down well in the PQ. "There is no right-wing in the PQ," he says, "just the middle and the left wing."

Mr Bouchard has said that he remains committed to sovereignty. But he has pledged not to call another referendum unless he is sure of winning. Last October's vote was the second defeat for the separatists – they lost by a wider margin in 1980 when voters rejected a watered-down version of independence known as "sovereignty-association".

He has also ruled out an early election. The PQ currently holds 76 of the 125 seats in the province's Assemblée Nationale.

However, the most telling evidence of the separatists' strong position is the disarray in the federalist camp. The leadership of Mr Daniel Johnson, the opposition leader, has been questioned not only within his Liberal party but publicly by a senior federal cabinet minister.

Mr Johnson has no obvious replacement. Some federalists hope that Mr Jean Charest, youthful leader of the federal Conservative party, can be persuaded to take the reins of the Quebec Liberals. Mr Charest was the only prominent federalist politician who emerged with an enhanced reputation from the referendum, but he has resisted approaches to move into provincial politics.

Mr Jean Chrétien, Canada's prime minister, has so far responded to the referendum cliff-hanger by piloting two measures through the House of Commons which, in effect, meet Quebec's long-standing demands for a veto over changes in the constitution and recognition as a "distinct society". He has also agreed to transfer jurisdiction for jobs training, another Quebec demand, to the provinces.

These steps were necessary to fulfil promises that Mr Chrétien made in the final, panic-stricken week of the referendum campaign. But they have failed to strike a responsive chord either in or outside Quebec.

Many Canadians believe that a more imaginative strategy is required to persuade Québécois of the advantages of remaining part of Canada, and the risks of breaking away.

The present betting is that Mr Bouchard has his eye on the second half of 1997 for the next referendum. The pro-Canada camp is crossing its fingers that Quebec's economic problems will either trip him up or, at least, keep his mind off independence. Mr Chrétien continues to project a sunny optimism that all will be well.

But there is a growing sense that the federalist side would be unwise to rely on optimism alone to keep Canada in one piece.

Lost and found in a shoe shop: $250m of Mexican fool's gold

By Bernard Simon in Toronto and Leslie Crawford in Mexico City

While cleaning the floor of her small shoe-repair store in a Quebec City suburb last Friday, Ms Joanne Beaudoin made an astounding discovery – five Mexican certificates of deposit with a total face value of a quarter of a billion US dollars.

"We are millionaires," she shouted to her colleague, before taking the certificates to a bank. The manager, convinced they were real, called the police.

Her find immediately prompted an investigation in Canada and Mexico and spawned rumours that the securities belonged to an international drug-smuggling syndicate, or to a corrupt Mexican politician trying to stash away assets in a safe foreign country.

The certificates were apparently dropped in Ms Beaudoin's shop by a United Parcel Service courier who collected them in an envelope from a lawyer's office in the same shopping mall.

The lawyer, Mr Remi Robert, said he received the certificates last month from a trading company in Miami as collateral for a line of credit from one of his clients.

Mr Robert has refused to identify his client. The UPS envelope containing the bonds and a covering letter have disappeared. Canadian police have no power to interrogate the principals, including the UPS courier, until they have clearer proof that a crime was committed.

Sadly for Ms Beaudoin, however, the certificates appear to be worthless. Unión de Crédito Ecatepec, the credit co-operative which purportedly issued them, never obtained a banking licence in Mexico, according to the National Banking and Securities Commission.

Banking regulators in Mexico City said the bonds were such obvious fakes, and for such large amounts of money, they doubted whether any investor could have been tricked into buying them.

Sgt Ronald Burns of the local police said his theory was that the bonds were part of an elaborate practical joke. But Mexican authorities suspect fraud.

Mr Jorge Nicolín, a vice-president at the National Banking and Securities Commission, said yesterday he knew of about 25 similar cases, including one in which a foreigner attempted to prove his solvency with false Mexican certificates of deposit in order to buy a Paraguayan bank.

"My only reward is free publicity for the shop," said Ms Beaudoin.

PUBLIC NOTICES

Mexican president will try to advance plan for free trade agreement

Zedillo to seek closer EU ties

By Leslie Crawford in Mexico City

President Ernesto Zedillo of Mexico begins his first state visit to Europe next week with a mission to restore his country's tarnished reputation abroad and advance plans to negotiate a free trade agreement with the European Union.

Political assassinations, a peasant guerrilla uprising and a bruising devaluation three weeks after Mr Zedillo took office in December 1994 triggered an exodus of foreign investors which led Mexico to the brink of default a year ago.

"I have been a president who has had to deal with exceptionally difficult circumstances, which required exceptionally difficult decisions, many of them unpopular in the short term," Mr Zedillo said in an interview.

However, the president said he believed the most painful part of Mexico's adjustment to capital flight had been undertaken in 1995, a year in which the economy contracted by 7 per cent, and that Mexico was now ready to resume growth.

"I want a closer relationship with Europe," Mr Zedillo, a 44-year-old former central banker, said. He would like to see more European companies locating in Mexico, which offers its proximity to the US market and membership of the North American Free Trade Agreement.

He said Mexico would like to sign a similar treaty with the EU, and was waiting for Brussels to work out guidelines for negotiations. His European trip will take him to Spain, the UK and Italy.

He will also attend the international business summit in Davos, Switzerland.

At home, Mr Zedillo has had to fend off criticism against the harshness of his economic programme, and for adopting a hands-off presidential style which has cast Mexican politics adrift.

"If I knew of an economic programme that yielded better results in reducing unemployment and inflation, and restoring financial health, I would adopt it," he said. "But I am convinced the present policies will create jobs, bring about a recovery in real incomes, and attract new financial resources."

Congressmen of the ruling Institutional Revolutionary Party (PRI), worried about their sinking electoral prospects, last week handed a weighty policy document to their leaders demanding that the government abandon its "neo-liberal" economic policies.

Zedillo: seeks to restore country's tarnished reputation

The PRI deputies warned that unless the government could engineer a dramatic economic turnaround this year, they risked losing control of the National Congress in the 1997 mid-term elections.

Mr Zedillo said that he would resist political pressures to adopt a more expansionist economic programme for Mexico.

He refused to discuss the possibility of having to govern with an opposition Congress, which the PRI has dominated since 1929. "No politician enters an election thinking he might lose," he said.

Mexicans, he said, were gradually accepting his handling of the presidency, which sought to curb authoritarian excesses of the past. He was working to achieve a better balance between the different branches of government, and had no wish to meddle in party political affairs – much to the consternation of some PRI politicians.

Mr Zedillo said he wanted political parties to hammer out new rules for electoral reform by themselves.

He studiously avoided interfering in state elections last year. When the time came to choose the next PRI presidential candidate, for elections due in the year 2000, Mr Zedillo said he would not exercise the traditional right of Mexican presidents to pick a successor.

"I will not choose my successor," Mr Zedillo said. "I am not a king, much less a high priest. I am the constitutional president of Mexico. And that is enough."

Outlook dims for re-opening talks to solve US budget impasse

By Jurek Martin in Washington

Prospects for renewed budget negotiations appeared to dim yesterday as President Bill Clinton and Senator Bob Dole, the majority leader, again staked out sharply different positions.

Mr Clinton said he had gone "the extra mile" in meeting Republican demands he present a budget that could be balanced in seven years. Mr Dole responded: "It was a short mile in my book."

The president insisted that differences had been narrowed to the point that a balanced budget agreement was "clearly within our grasp right now" and that his door remained open.

The majority leader said the Republican door was also open, but that the president's latest budget proposals were no more than a "spend now, save later" policy. Still, he suggested that a Sunday negotiating session might be possible.

Mr Clinton again cited a long list of substantive policy differences, covering federal health insurance, education and the environment. Mr Dole countered that the president did not want to reform anything and that it was unfair for him to hold a press conference accusing the Republicans of wanting to do "terrible things" and then expect good faith negotiations to resume.

The charges and counter-charges, all aired yesterday morning on TV, follow the cancellation, at the request of Republican leaders, of Wednesday's scheduled talks.

Mr Clinton said he was "disappointed but not entirely discouraged" that the Republicans had chosen to "walk away" from this session. Earlier, Mr Mike McCurry, his press secretary, had suggested that the opposition leaders had sounded "emotionally distraught".

They had demanded, in a letter to Mr Clinton, that the administration lay out new budget proposals as a pre-condition for resumed talks. The White House response yesterday was to release the president's headline budget numbers, amounting to over $700bn worth of savings in spending over seven years, in an attempt to demonstrate how far he had gone in the Republican direction.

The most significant revelation in these was that Mr Clinton was now proposing a tax cut of as much as $130bn, an increase from the previous net $97bn, mostly through more capital gains tax reductions. This contrasts with the latest Republican demand for $177bn, itself down from the $245bn of last year's budget reconciliation bill.

Both sides appear to be struggling to win the tactical upper hand in advance of the state of the union message the president will deliver next Tuesday. Some Republicans are concerned that this occasion gives Mr Clinton a free national platform which they cannot easily match.

A second deadline for both looms a week from today when the latest temporary government funding measure expires.

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OPEN FOR BUSINESS.

Nobody said it was easy being the boss.

And in this space, earlier in the week, we've discussed a few of the reasons why.

Like the problem of building and maintaining trust in the company.

The difficulty of ensuring that shareholders understand what you're doing to advance their interests.

Or the challenge of developing and using a strong corporate brand.

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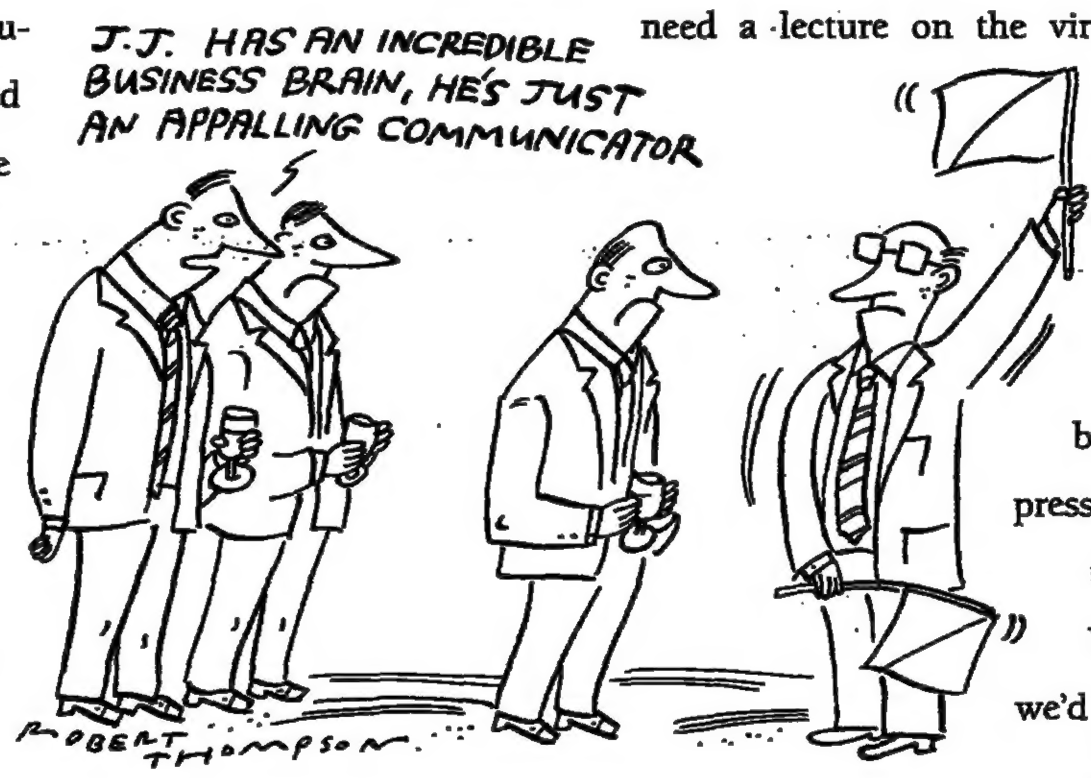

Not just in the quality of its analysis, the care with which it selects and reports the most important business developments, the insights it offers into world finance, economics and politics.

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That's enough about us. The point of this series is not just to push the FT as an advertising medium. It's also intended as a contribution to the debate on top-level management priorities as we approach the 21st century.

Above all, it seeks to make the case for a principled, open, communicative style of business leadership. You don't need a lecture on the virtues of this approach: it's what effective business people have always done naturally.

But in today's increasingly frantic and complex business world, day-to-day pressures sometimes overwhelm that instinctive good sense. Which is why we thought we'd mention it.

Occasionally, it helps to have someone remind you of what you already knew, deep down, all along. After all, nobody said it was easy being the boss.

If you have any comments on the questions this series raises, or you'd like to talk about the issues of communicating the corporate message, either write to John Makinson, Managing Director, Financial Times, at 1 Southwark Bridge, London SE1 9HL or call him: on +44 171-873 3233. Fax: +44 171-873 3937. E-mail John.Makinson@FT.com.

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This is the fifth and last of a series.

Decision to reject Steyr Daimler Puch 'may deter international entrants to competitive tendering'

Austrian company protests at army contract

By Bernard Gray, Defence Correspondent

Steyr Daimler Puch, the Austrian company which yesterday lost a £35m ($53.9m) contract from Britain's defence ministry for battlefield ambulances to Land Rover, has claimed in a letter to the Financial Times that it had clearly won the ambulance competition. It adds that ministers overturned the decision after heavy lobbying.

Mr Alan Mawer, Steyr's agent in the UK, argues that such interference will damage the government's procurement process if the ministry continues to ignore the results of its own competitions.

"To blatantly ignore a recommendation from the procurement department in favour of a 'Buy British' campaign will ensure that few if any companies will ever again risk the UK competitive tender system," says Mr Mawer.

His claims directly contradict a written statement made yesterday to the House of Commons by Mr James Arbuthnot, the defence procurement minister, which says the competition between Land Rover and Steyr was "particularly close". Land Rover is an offshoot of Rover group, a subsidiary of BMW, and its vehicles are made in Britain.

Mr Arbuthnot announced that Land Rover had won an order for 8,000 general purpose vehicles worth about £160m, for which the Land Rover Defender was the only real option, and for 65 Steyr heavy vehicles worth £5m, which again was the only available vehicle. The dispute centres on a need for about 750 ambulances, for which there was a choice of Land Rover or Steyr, and which has been the subject of a three-year competition.

Steyr acknowledges that its ambulance was slightly more expensive than the Land Rover, but says its greater speed and reliability meant the British Army would need a smaller fleet of about 700 vehicles against 800 Land Rovers. The total acquisition cost of the fleets are therefore approximately equal, according to Steyr, while Mr Arbuthnot said yesterday that the Land Rover had "a lower acquisition cost".

Steyr claims that, judged by cost of ownership over the 15-year life of the ambulance, the test used in the competition, its fleet would be more than £40m cheaper to own than Land Rovers. This is because Steyr's reduced number of vehicles requires fewer crew while its more reliable fleet would need less maintainance.

Members of the Austrian government have expressed disquiet about the decision, arguing that Steyr was "led up the garden path".

The British ministry has frequently stressed that it would set aside its competitive policy only if strategic national capabilities were threatened. Mr Michael Portillo, the defence secretary, and Mr Arbuthnot have written letters about the ambulance contract recently, saying the competition would be "firmly based on value for money".

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Shortages of skills worry international groups in Wales

By Roland Adburgham in Cardiff

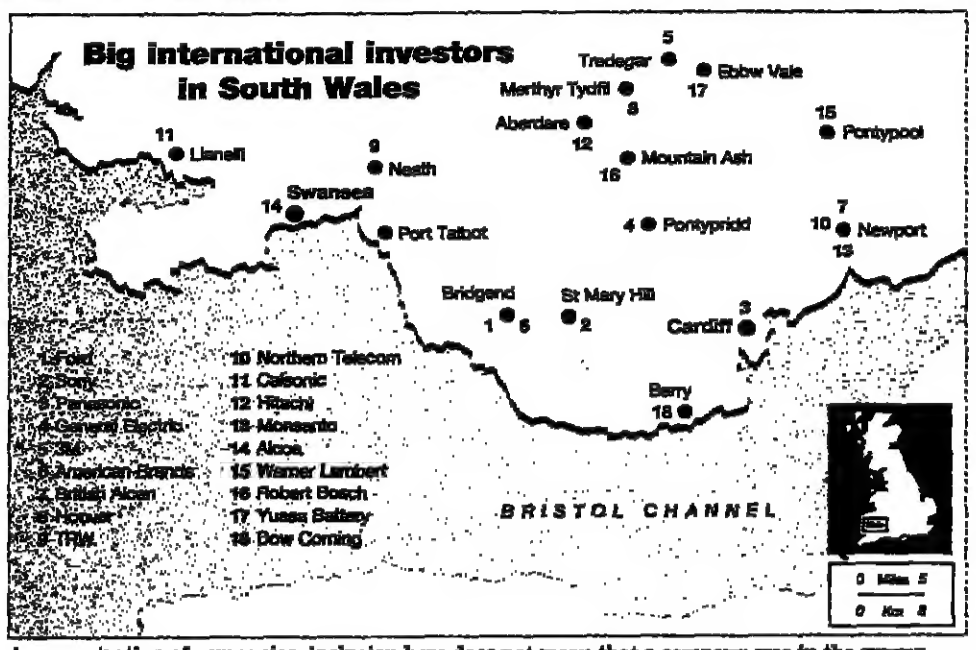
Shortages of skills in Wales could threaten future expansion there by international companies, says a survey by Coopers & Lybrand, the accountancy firm. All but three of the 50 companies in the survey would recommend Wales as an investment location, mainly because of the commitment and flexibility of the workforce. But actual or potential skills shortages are the largest single reservation cited.

The survey covered about 50 of the 400 international businesses with Welsh plants, of which the greatest concentration is in he south of the region. Most of the companies are described as being "very positive" about their future in Wales.

Thirty-eight would consider expansion and 19 said they were aware of mobile investment projects by their parent companies which could come to Wales. But the survey makes clear that workforce skills will be crucial to the decisions on where to invest.

The 50 companies, selected for the survey as having the best potential for growth in Wales, range in employment from 50 people to 3,000. Nine countries are represented by the parent companies including the US, Japan and Germany. The names of the companies were not disclosed.

The research, commissioned by the Welsh Development Agency, found that Welsh sites were recognised by the parent companies for their sustained performance. One large organisation said its Welsh plant was its "most flexible, productive and profitable site in Europe." Thirty companies, however, said they had already experienced skills shortages, the majority in engineering and associated disciplines.



A concentration of companies: inclusion here does not mean that a company was in the survey

There was concern that the supply of professional, qualified and skilled workers was not increasing, and that competition for staff could lead to higher labour costs.

In addition to the fears of shortages of qualified engineers and technicians, there were worries about the recruitment of apprentices and "high-quality" school leavers. There was disappointment that the apprentice workforce in Wales might be diminishing because of parental and school pressure on young people to continue in full-time education.

The research found the companies were placing a marked emphasis on automation and new technology in their plans to compete in world-class markets, which was resulting in significant changes in working practices.

A growing need was identified for the workforce to have skills formerly associated with management - for example, multiskilling, team leadership, and communication and interpersonal skills.

Buffalo abattoir at home on the range

By Clay Harris in London

The American buffalo, making a comeback on the Great Plains after its near extinction in the 19th century, will be able to roam at home on the range until the end of its days, thanks to an export order announced yesterday by a Suffolk company.

The Cheyenne River Sioux tribe of South Dakota has bought the first mobile abattoir purpose-built for buffalo, allowing animals of up to 1.2 tonnes to "be processed humanely and in the most hygienic environment" out on the prairie.

The $1.1m (£710,000) abattoir unit is made by Sandströms Transportprodukter of Sweden but marketed internationally by Humas of Bury St Edmunds in the eastern England county of Suffolk.

It was bought by Pte Hca Ka (meaning "all the buffalo"), a commercial operation of the Cheyenne River Sioux. The tribe has 900 buffalo including calves.

Mr Hugh Fullerton-Smith, Humas director, said the sale was the first outcome of the two companies' joint venture which began last year with the endorsement of the Department of Trade..and Industry's Eureka scheme.

The Swedish group had been making mobile abattoirs since 1965 for the humane slaughter of reindeer in the north of the country, and Mr Fullerton-Smith built one for deer in the UK in 1989.

Sandströms Transportprodukter now designs and builds the abattoir units and Humas handles marketing and applications for government approval. This has been granted in the UK and is nearing completion in the US.

The American buffalo was nearly wiped out in the 1800s, with its population falling from 60m to fewer than 500 by the end of the century. With protection, that recovered to nearly 50,000 by 1987. The species is now exploited commercially by native Americans, and 37 tribes have formed themselves into a co-operative.

Mr Fullerton-Smith said mobile abattoirs might provide a partial solution in Europe for concerns about the transporting of live animals over long distances to slaughter. They are still likely, however, to be used mostly for species requiring special handling.

Having made the deer and the antelope pay, the partners have turned their attention to a new market. "We've been approached by the ostrich people in the past few days to build a dedicated ostrich unit", he said.

Nation lagging behind competitors, says minister

By Chris Tighe in Newcastle upon Tyne

Mr Tim Eggar, industry and energy minister, warned yesterday of Britain's skills deficit in comparison with other countries. "We have a major challenge – to upgrade the basic skills of everybody going through the school system," he said at Sunderland University in north-east England. "A lot of progress has been made over the past 10 years in terms of GCSE results and staying-on rates. But still, I think, both local authorities and higher-education institutions and employers have to raise the expectations of pupils, parents and teachers."

Britain could not be satisfied with the level of achievement of the average student at age five, seven, 11 or 16, he added. "When I look at the international competition and I look at the standards being achieved elsewhere in Europe, in Japan and our Far East competitors, I realise we have an ever more challenging target, and none of us probably has enough aspiration if we are going to be able to compete during the course of the next century.

"An enormous amount has been achieved but we have to be very hard-headed, very realistic about the challenges which lie ahead."

Earlier this week, the latest quarterly Business Survey North, based on responses from 681 companies in north-east England and Cumbria, showed a marked increase in shortages of skills for managerial and professional staff.

Opposition from chancellor to publication of paper on EU conference is overruled

Premier yields to Eurosceptics in his party

By Robert Peston, Political Editor

Mr John Major, the prime minister, yesterday persuaded the cabinet to back publication of a government paper on the forthcoming European Union inter-government conference, overcoming opposition from Mr Kenneth Clarke, chancellor off the exchequer.

The prime minister's decision to yield to pressure from Eurosceptic MPs in his party who had been calling for the government's views to be set out in a paper was taken yesterday morning.

No objections were raised by ministers in the cabinet meeting, but a senior member of the government said that Mr Clarke, the most pro-European member of the cabinet, had circulated a paper setting out objections to publication.

Mr Clarke had been concerned that the paper could tie the government's hands in talks with its EU partners and could also exacerbate divisions in the party.

The government's latest concession to the sceptics increased speculation that Mr Major will also concede to demands that he should promise to hold a referendum if the cabinet ever decides to take sterling into a single European currency.

Mr Major also risked widening the split between the right and left wings of his party when making his strongest attack on Baroness Thatcher, who the previous week had criticised him for abandoning the middle classes. Baroness Thatcher preceded Mr Major as prime minister and leader of the Conservative party. Setting out the government's record in reducing inflation, mortgage rates and unemployment, he said that was "what she sought to achieve" while, in contrast, "we have delivered".

A senior member of the cabinet last night conceded that there needed to be dramatic changes in the style of government to revive the party's fortunes. "We have got to get out of the box", he said. He added that a change of party leader was not his preferred solution, but that Mr Major should cease shirking controversial decisions.

The minister had therefore supported publication of a paper about the EU conference because "if you have a clear set of policies, you should have the confidence to publish them". For the same reason, he argued that the prime minister should stop prevaricating over a referendum about the single currency.

Mr Clarke, supported by the deputy prime minister, Mr Michael Heseltine, is even more implacably opposed to a referendum than he was to a white paper.

But leading Conservatives are urging the prime minister to overrule these two pro-European cabinet ministers, saying that a referendum commitment could lead to a lasting peace in the government's civil war if it was coupled with a strong statement from the prime minister casting doubt on the likelihood of a single currency being formed at the official 1999 start date.

The leading proponent in cabinet for a paper on the conference has been Mr Malcolm Rifkind, the foreign secretary, who started pressing for one last November and reversed the stance taken by his predecessor, Mr Douglas Hurd.

Mr John Major, the prime minister, has begun detailed planning for the next election following a private strategy meeting at Downing Street for ministers and Conservative party tacticians. Those present included Mr Michael Heseltine, the deputy prime minister, and Mr Brian Mawhinney, the party chairman. One big issue to be addressed is Mr Heseltine's role in the campaign. Party tacticians are desperate to avoid a clash over responsibilities with Mr Mawhinney.

The issue of Mr Heseltine's duties came as senior Tories were privately canvassing a new leadership challenge to put him in Downing Street by the next election. But there was a retreat from moves to oust Mr Major as news of their plans was revealed. The prime minister dismissed leadership speculation as "nonsense". One well-placed MP said the plot to force Mr Major to stand down after the local elections in May had been deliberately revealed by rightwingers who did not want him ousted as none of their candidates were seen as ready to take over.

Cabinet ministers rallied round the prime minister. Mr Kenneth Clarke, the chancellor, said: "He is leading an extremely successful government." They were joined by a number of the grandees whose support would have been necessary for any plot to succeed, such as Sir Archie Hamilton, the former defence minister, who said an autumn leadership contest was needed "like a hole in the head". Sir Giles Shaw, treasurer of the 1922 committee of Conservative backbenchers, said talk of ousting Mr Major was "rubbish".

Five jailed over Nigeria fraud

Five men involved in the London end of a Nigerian-based £1.3m ($2.0m) fraud were sentenced yesterday to a total of 20 years in jail. Potential victims were sent letters telling them they could receive large amounts of US dollars allegedly held by the Central Bank of Nigeria as a result of "over-invoicing". Some who replied were then persuaded to make up-front cash payments to the men in order, they were told, to pay taxes to allow the money to be released by the central bank. The £1.3m was paid by 11 victims in Nigeria itself or to three men claiming to be employed by the Central Bank of Nigeria's London agents.

The three men were Mr Mathew Oke, Mr David Oluyitan and Mr Abdul Khaliq, all of London. They were jailed for 3½ years, 4 years and 2½ years respectively. Mr Oluyitan and Mr Khaliq were convicted of conspiracy to defraud last December. Mr Oke had pleaded guilty to the same charge last September. Mr Oke and Mr Oluyitan were both recommended for deportation to Nigeria.

Another two men posed as bank managers who claimed they had received the money from the Central Bank of Nigeria. They demanded further cash payments to transfer the money to victims' accounts. Mr Victor Boulter of Bushey Heath near London and Mr Victor Watson of London were both jailed for five years after being convicted of conspiracy to defraud. The fraud operated in countries including Australia, the US and Germany. *John Mason, Law Courts Correspondent*

Maxwell jury sets record

Jurors in the Maxwell trial in London set a record of 11 days for the longest time an English jury has retired to consider its verdicts. With sickness again taking a toll among jurors, this figure is set to rise further. A second juror fell ill yesterday, forcing the judge to cancel the jury's deliberations for the third successive day. However, the trial will resume today in the hope the jury will be fit enough to continue attempting to reach verdicts. The Lord Chancellor's Department confirmed that the jury's 11-day stint is believed to be the longest ever. Mr Kevin Maxwell, Mr Ian Maxwell and Mr Larry Trachtenberg, a former adviser to the late publishing tycoon Robert Maxwell, are charged with conspiring to defraud the Maxwell pension funds by using shares in Teva, an Israeli pharmaceutical company, which were owned by the funds to raise money for Maxwell private companies. Mr Kevin Maxwell faces another charge involving the use of shares in Scitex, another Israeli company. All have denied the charges. Mr Kevin Maxwell and Mr Ian Maxwell are sons of Robert Maxwell. *John Mason*

Union accepts GM offer

Vauxhall car workers in the AEEU engineering and electrical union have voted heavily in favour of the "final" three-year pay offerfrom the General Motors subsidiary. The deal was supported by 2,224 votes to 639 in a secret ballot of the workers at the company's plants at Luton to the north of London and Ellesmere Port in north-west England. The AEEU had recommended acceptance of the offer of a 4.5 per cent pay rise now followed by an increase in line with inflation over the next two years, as well as a one-hour cut in the 39-hour working week. The rest of Vauxhall's manual workforce of 7,700 are members of the Transport and General Workers' Union and their ballot result will be announced on Wednesday. TGWU leaders did not recommend acceptance. *Andrew Bolger, Employment Correspondent*

Cost-sharing is proposed

The government has asked construction companies bidding for the main Newbury bypass contract to consider sharing some of the costs of providing additional security against protestors at the site 90km to the west of London. The proposed bypass on the main A34 road from the port of Southampton to the English Midlands would pass through unspoiled countryside. There is increasing concern at the mounting expense of policing construction work which, together with delays caused by protesters, will force up the final bill for the road.

Arguments are still raging over the final cost of the contract for the Twyford Down bypass to the south, which was won by Tarmac for £25.8m ($39.7m) but eventually cost much more. The bill for extra security at Twyford was £4m, which the government's Highways Agency agreed to pay. It has now written to the six contractors shortlisted for the main construction contract at Newbury asking them to provide separate cost estimates for different levels of security. The six are thought to be Amec, Alfred McAlpine, Costain, Kier-Hochtief, Mowlem and Tarmac. *Andrew Taylor, Construction Correspondent*

Applied Materials contract

TI Group, the specialist engineering and aerospace equipment company, said it had won its largest ever contract for industrial seals. Applied Materials, the US machines tools supplier, has placed an order for seal assemblies worth £70m ($108m) over five years. The components will be produced by John Crane Belfab, the US subsidiary of John Crane International – TI's sealing systems division. *Tim Burt, London*

Typist claims discrimination: An unemployed male typist was ignored by a secretarial agency because of his sex, he claimed at an industrial tribunal in the northern England city of Leeds. His claim that the agency Office Angels sexually discriminated against him was supported by the Equal Opportunities Commission. He said three female candidates were called for a typing test, but he was not summoned even though he held typing qualifications.

Police to try CS gas: CS gas is to be carried in belt canisters by patrolling police officers in a pilot scheme in 16 areas. Most uniformed officers are armed only with nightsticks. Growing violence on the streets meant there was an "overwhelming need" for deployment of an incapacitating spray, said Mr Tony Burden, chairman of the self-defence subcommittee of the Association of Chief Police Officers.

Exxon offshoot follows Rockefeller's example

By Robert Corzine and Neil Buckley

Esso, the UK subsidiary of Exxon, one of the world's largest oil companies, recalled its heritage on Wednesday when it switched to a low price policy to bolster its eroding position in the retail petrol market.

The company is a direct descendant of Standard Oil of the US, whose legendary founder, John D. Rockefeller, had a simple solution to falling market share. Give competitors a "good sweating," was his advice to executives.

In late 19th century America that meant driving prices down until the competition "felt sick." It is likely to mean the same thing in the late 20th century UK petrol market according to analysts, who were yesterday busy assessing the likely impact of Esso's decision to match the lowest prices available. Its 2,100 service stations comprise the country's largest retail network.

How prices compare (national averages, litre unleaded petrol)

	Local currency	Converted to pence sterling		Local currency	Converted to pence sterling
Norway	8.14	85.50	Germany	1.58	72.39
Netherlands	1.89	78.75	Denmark	5.89	70.37
Finland	5.02	77.83	Switzerland	1.15	65.84
France	5.67	76.21	Rep of Ireland	57.00	60.83
Sweden	7.43	75.51	Luxembourg	24.90	58.37
Austria	11.30	74.93	Spain	105.60	57.62
Belgium	32.30	73.13	UK	56.7	56.7
Italy	1870	72.83	Greece	205	52.78

Source: Automobile Association figures for Dec 1995

On Wednesday Esso executives said they had "no intention to undermine the market." The cheap petrol policy was a strategic response to a fundamental shift in the retail market, they claimed. Market research showed motorists were prepared to drive longer distances to buy cheaper petrol.

But some analysts yesterday saw Esso's move in a different strategic light. "Esso's target is the supermarkets," said Mr Matthew Hall, an energy analyst at brokers SBC Warburg in London. But he believed its victims were likely to be independent retailers who will find it hardest to withstand falling margins.

Mr Peter Regnier, managing director of Opal Price Assessments, an industry consultancy, described Esso's move as "very dramatic and without precedent in Europe".

In the past few years supermarket chains have captured 22 per cent to 25 per cent of the petrol market by offering fuel that is generally about 2p a litre cheaper than that of the oil majors. They have done so by selling through 700 high-volume petrol stations, many next to big out-of-town superstores that attract crowds of shoppers with cars.

Big stores have a number of advantages over independent petrol retailers and oil companies. They can take advantage of a structural surplus of petrol in the UK and western Europe by buying in bulk, often from the refineries of the oil companies with which they compete.

They also enjoy very high volumes. Mr Hall notes that the average supermarket site sells about 8m litres a year compared with 3m to 3.5m litres a year for the busiest oil company station and a national average of 2m litres a year.

Moreover, supermarkets do not have to meet the costs of a European Union requirement that oil companies hold large forward stocks of fuel as a guard against supply disruptions. Nor do they have the costs associated with cleaning up pollution around older service stations.

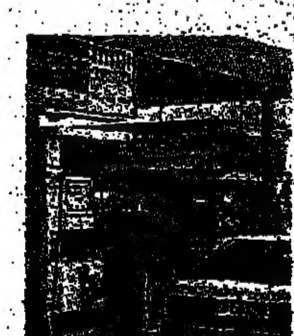
Mr Ian Upson, Esso's managing director, says it is unwise "to overplay the role of the supermarkets" in prompting Esso's move. But analysts say Esso, which is one of the lowest-cost suppliers, must be worried about the longer-term intentions of the supermarkets.

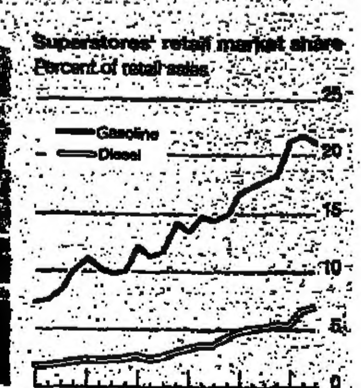
The rate of new superstore building may slow due to tougher planning restrictions, but all the biggest four foodstore chains – Sainsbury, Tesco, Safeway and Asda – are keen to open petrol stations on older superstore sites which do not already have them.

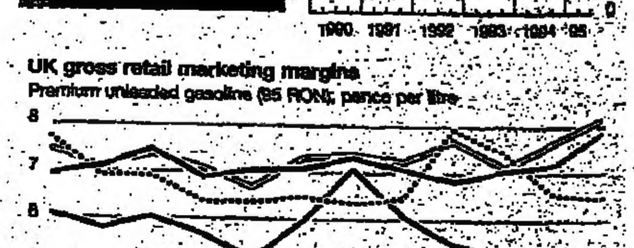
But will Esso succeed in clawing back market share? One industry observer doubts whether the big grocery chains can be stopped. After all, he points out, in France they have captured half the retail petrol market. The most likely outcome, he says, is an industry shakeout that could result in the departure of many of the smaller international oil companies from the UK market. About 14 international companies now operate in the UK retail market. That number could fall to just the five or so within a few years.

Industry observers say Esso's move is likely to depress already thin petrol retailing margins to to the point at which a number of smaller chains will consider whether the UK market, already among the cheapest in Europe, is worth the effort.

Tank wars







Source: Opal

JOBS: Employers are looking at alternative ways of finding graduate talent

Brand spanking new careers

It is difficult to judge who are the most anxious in the current UK graduate recruitment market, students desperate to link up with employers or employers scrambling for the best students.

Uncertainty in the jobs market appears to have been focusing students on their future careers far more than in the past. Tom Snow, director of Oxford University careers service, says he has been trying to calm students' fears. "A lot of students look over their shoulders at others who have got themselves fixed up with a job and begin to think they are unemployable, and that's rubbish," he says.

Many students, however, do seem to be looking towards their future careers at a much earlier stage in their university studies. Almost a third of first-year students at Oxford and two-thirds of the second years have registered with the careers service. The proportion is around 90 per cent in the third year.

Many of them are seeking vacation work so they can court potential employers and get relevant work experience in readiness for the day they will be graduating. The techniques of networking and researching future employers or industry sectors are no longer a mystery to today's graduates.

Some students, often those from reasonably affluent backgrounds, are confident enough to take some time off and see the world. Others, who are particularly gifted or who have a sought-after speciality, are finding that they are able to play the field. "Although some have difficulty getting a job, some are collecting a portfolio of offers from which they can take their pick," says Roly Cockman, executive secretary of the Association of Graduate Recruiters.

Competition for the most able graduates who can start contributing quickly to a company's profits, he says, is being reflected in higher starting pay. "Starting salaries of £21,000 and £22,000 a year are not uncommon in some sectors," he says.

With signs of companies needing to woo students at the top of the range, it is not surprising to find employers willing to consider different forms of recruiting. Some are looking at contracting out their graduate recruitment. Andrew Nelson, who runs AN Associates, a business based in Solihull, handles graduate recruitment for a number of clients.

"It ranges from simply sifting applicants for a short list to handling the whole of the recruitment process, including selecting the graduates and looking after their career development in the first 18 months," he says.

The market has even led to the emergence of a headhunting firm specialising in finding graduates. Moloney Search, a search firm comprising consultants not too long out of university, is offering companies what it claims is a far less costly and more focused alternative to the "milk round", the traditional method used by big employers to present themselves to graduates.

Moloney, which was set up in 1994 by Curly Moloney, a qualified medical doctor, scours the universities for their most talented students. In building up contacts with careers offices, tutors and students, it believes it can target some of the most able people, particularly where companies may need highly specialised graduates.

Moloney describes traditional graduate recruitment methods as a hit and miss process, often leading the graduate to accept the first job offered after sending out a stream of applications. "When they realise they are not suited to the company they may leave. It can be an expensive mistake for both the graduate and the employer," she says.

The firm, which usually charges a minimum of £2,500 a search, was willing to offer a discount when it secured its biggest contract to date searching for 75 graduate recruits for Asda, the supermarket group.

Asda itself has abandoned the milk round to pursue other ways to tap the graduate market. In addition to headhunting, it has advertised in Viz, the cult youth comic that specialises in lavatory humour and which is fashionable among students. The advertisement says: "Graduate Careers at Asda, much better than a slap on the bum."

The company, which is also allowing applications on the Internet, says that the Viz advertisement has brought in a far greater response than another advertisement it placed in the Independent newspaper.

Richard Donkin

● Advertised demand for senior executives rose by 19 per cent in 1995, according to MSL, the recruitment services group which has just published its latest quarterly index.

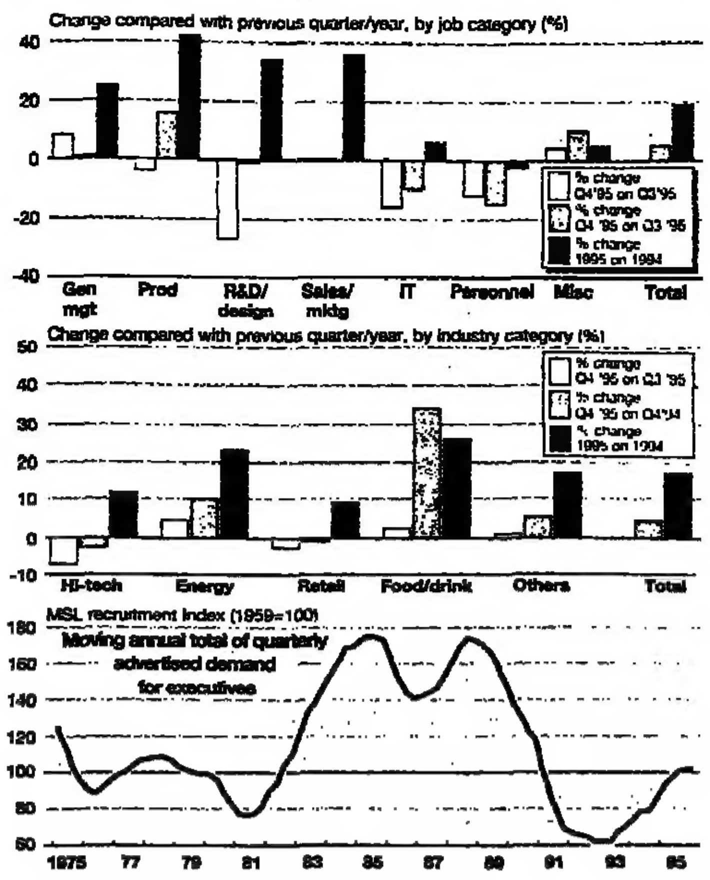
The index, which has been running since 1959, has been a consistently accurate indicator of economic growth as can be seen by the pattern of its moving annual total featured here. The moving total, which irons out seasonal fluctuations, rose marginally in the last quarter, continuing the steady continuous rise in demand since it last fell at the end of 1992.

Executive recruitment activity is running at about the same level as it was in early 1983. On that occasion, preceding an economic boom, the rise in demand was far steeper than it has been over the past two years. Gary Long, MSL's chairman, believes the graph is reflecting emergence from recession but he says the senior executive recruitment market still lacks confidence.

"Our optimism that the market will continue to gain strength in 1996 is tempered by the fact that some organisations are simply replacing skills rather than taking on additional personnel," he says.

Two job categories in which recruitment advertising decreased over the year were personnel and accounting and finance. Production job advertisements showed the biggest rise, up 42 per cent over the year.

MSL recruitment index



TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

MANAGING DIRECTOR

Speciality Footwear Retailer – New Zealand

For over 125 years, R Hannah & Co Ltd has led footwear retailing in New Zealand. The company is privately owned, has close to 100 stores nationwide, covering several market/brand segments and is at the forefront of new thinking in retailing. Hannah's and its associate brands are prominent in all major shopping centres and the Company is quickly developing new theme store concepts, as well as the prudent location of stores in new Outlet and Power centres.

The Managing Director will be responsible to the Hannah's Board for the continued profitable development of the company. The foundation is very solid with significant revenues, market leadership and a reputation for efficient manufacturing and importing, intelligent marketing and quality customer service.

Candidates will need to have speciality or similar retail experience at a senior management level. They will need to provide evidence of success in adding value for shareholders, leading and developing staff and exceeding customer expectations. A sound background in retail selling, marketing and merchandising is essential as is an understanding of fiscal responsibilities and Board relationships. Experience in apparel retailing would be very helpful.

The remuneration package is at a high level and includes discretionary income based on company performance. Relocation expenses to Wellington, New Zealand's capital city, will be met.

Applications will be treated in strict confidence. Please send relevant personal and career history information to Norman Godden, Deputy Chairman, Sheffield Consulting Group Ltd, at our Auckland address below, quoting Reference 15991.

Telephone 64-9-377 3119
Facsimile 64-9-307 2322
PO Box 5621, Auckland, New Zealand
E Mail: "Applications@scg.co.nz".

Sheffield
CONSULTING GROUP LTD

BANKING FINANCE & GENERAL APPOINTMENTS

DEVELOPMENT OF YOUNG FINANCIAL MARKETS

GMA Capital Markets Ltd, a City-based provider of advice, assistance and training to fifteen young financial markets, mainly in countries in transition to the market economy, seeks more associates to work on a project-by-project basis.

Candidates must be technically outstanding, good communicators, adaptable, self-reliant, and resilient. Fields of specialisation include investment and pension fund management, investment banking (incl. corporate finance), securities market development and securities trading, venture capital and insurance.

Skills and experience in demand range from law and regulation through middle and senior management, to "back office" operations and financial training.

C.V.'s please to GMA (CV),
113 Warnford Court,
28 Throgmorton Street, London EC2N 2AT.

PROLIFIC

PRODUCT DEVELOPMENT CO-ORDINATOR

Our client, a leading investment house, is seeking a Product Development Co-ordinator to operate within the Business Development team.

You will be responsible for ensuring the successful launch of new products to the marketplace and updating and modifying the existing product range. You should have previous experience in a product development role, preferably within the investment industry, and have strong project management skills.

This position requires a resourceful individual with excellent interpersonal skills and a strong commercial awareness. You should be forward thinking in your approach and maintain an up-to-date knowledge of both marketplace and regulatory developments affecting the investment industry.

If you feel you have the necessary attributes to fulfil this challenging role, please send a full CV to: Elizabeth Williamson at Shepherd Little & Associates Ltd.

Fax 0171-626 9400
Cleary Court, 21-23 St. Swithin's Lane, London EC4N 8AD
Telephone 0171-626 1161
Financial Recruitment Consultants

SHEPHERD LITTLE

BANKING FINANCE & GENERAL APPOINTMENTS

We're one of Europe's top Investment Institutions *with* $40 billion under management.

And we're not even two years old.

Since our launch in 1994 by BAT Industries, one of the world's largest business enterprises, we've been growing at a remarkable rate. In just 18 months we've developed into one of Europe's premier investment institutions. Yet our plans for expansion don't stop here. We now aim to build a substantial retail and institutional mutual fund business and expand our operation across Continental Europe.

Ambitious we may be, but we believe we've already proved what can be achieved when you set your sights high.

Professionals of the highest calibre are needed for the following roles, all of which will be part of our Luxembourg operation but involve substantial travel throughout Europe. Join us now as we're poised for further growth and your prospects will be as promising as ours.

HEAD OF CLIENT SERVICES

This key role involves managing the client services function supporting our European business, which comprises a team forecast to grow to around 50 strong over the next three years. Your responsibilities will span all operational procedures as well as supporting sales and marketing activities. Recruitment and training will be key priorities.

Your knowledge of investment markets and products will include an understanding of the dealing, registration and compliance procedures associated with investment funds. Energetic and with a creative approach, you must have strong people management skills and the ability to manage projects, especially in relation to developing IT. You will almost certainly have experience of building service infrastructures. Fluency in English and German is essential; French would be an advantage. Reference: HCS/FT.

CLIENT SERVICES EXECUTIVES

We are looking for four customer-focused individuals to join the team providing assistance to investors and distributors in support of our sales, marketing and administrative activities. Two positions will concentrate on the Dutch market, one on Germany and the other on the United Kingdom; all involve working in our Luxembourg office.

You will provide high quality information on our products and services, investment procedures and markets, and troubleshoot specific customer problems. Mainly working over the phone, you will also produce reports and help develop new processes.

You will need a sound understanding of investment markets and products, and the dealing, registration and compliance procedures associated with investment funds. Ideally supported by experience in a sales or customer service role, you will certainly possess a creative, imaginative and solution-oriented approach. All of these roles require fluency in the native language of the local customer base as well as English. An additional language would be an advantage. Reference: Ger/CSE/FT. Neth/CSE/FT. UK/CSE/FT.

SALES MANAGERS

We need energetic professionals to meet the challenge of building a market-leading sales function from scratch. They will target distributors in the Benelux region and high quality intermediaries in Germany.

These roles involve account management and co-ordinating multi-tiered relationships between Threadneedle and our distributors, as well as working with the Luxembourg marketing team to develop campaigns and new products for your region. Your brief will be to build strong client relationships through supporting sales activities and providing information on Threadneedle's products and the financial markets in general.

You must possess a sound understanding of investment markets and products as well as the investment funds distribution process, giving you the necessary credibility with clients and colleagues alike. Excellent presentation skills should be supported by fluency in Dutch/Flemish and English backed by a working knowledge of French for the *Benelux* region; and fluency in German and English for the *German* roles. Reference: Bene/SM/FT. Ger/SM/FT.

MARKETING MANAGERS

These roles, covering Benelux and Germany, involve bringing the perspective of local regions into the development of our marketing strategy, communication activities and new product initiatives, in all of which you will play an active role. Managing the local advertising agency and helping develop new sources of outreach to local markets will also be part of your brief.

Self motivated, client driven and with a strong team spirit, you must have experience in fund management and a sound fund product background. You should be able to create marketing support materials and possess exceptional communication and organisation skills. For both roles you should have marketing experience in the local market and be fluent in the local language, as well as English. Reference: Bene/MM/FT. Ger/MM/FT.

PR MANAGER

This role requires an individual to establish a strategic PR plan for our European business, including setting objectives and managing the agency relationships in a number of countries. Your activities will include arranging press meetings and co-ordinating sponsorship and hospitality events, whilst working closely with the European Sales Team.

You will need a flair for turning investment issues into PR themes and for applying them across any of the major European markets. Your knowledge of investment markets should have been gained through at least five years' experience in financial services PR. Fluency in English and German is essential; French would be an advantage. Reference: PRM/FT.

In return we're offering highly competitive salary and benefits packages that will reflect your skills and experience. To apply please call +44 (0)171 976 3028 for an application pack quoting the appropriate reference. Lines will be open until the end of January and written applications should be received in London by Wednesday 7th February.

Threadneedle
ASSET MANAGEMENT

Capital Market Appointments

Assistant General Manager
Marketing Officer - New Issues

Our client, the investment banking arm of a major international Bank is seeking an experienced New Issue Marketing Officer.

Responsibilities will include establishing and maintaining relationships with regular issuers in the Eurobond market. An ability to liaise closely with the existing trading and sales team is essential. Candidates of the correct calibre will currently be working in an established New Issue House and must have a thorough understanding of the Swap and New Issue Market and a demonstrable successful track record.

This position offers an excellent career opportunity. The salary and benefits will be highly competitive and consistent with current market practice.

To apply please send your CV in strictest confidence to John Thorne, Partner.

Room 109, Salisbury House, London Wall, London EC2M 5QQ
Tel: 0171 638 5995 Fax: 0171 [illegible]

SALES ASSISTANT

We are an independent investment management and brokerage house seeking an experienced sales assistant. Candidates should be graduates, SFA registered, with excellent computing skills. Previous back office/settlement experience is desirable. An ideal candidate will be efficient, well disciplined and able to cope with the stress of a dealing room environment. Good communication and interpersonal skills and the ability to work on own initiative are also requirements. Age 24-34.

Please send your CV together with a hand-written covering letter to:

Linda Packe,
ELI ASSOCIATES LTD,
Old Park Lane, London W1Y 3LJ,
Fax no. 0171 491 2367.

MIDLAND SECURITIES SERVICES – GLOBAL CUSTODY

MSS is a leading and top rated Global Custodian. Our continued success and expansion has now led to a number of opportunities within our Operational area.

Experience of the Global Custody industry in either UK or Overseas, especially Settlements/Corporate Actions is required.

We offer excellent career prospects, a competitive salary together with a range of banking benefits.

If you are interested please send a c.v. to:

Gwendy Barnes
Personnel Assistant
Midland Bank plc
Mariner House
Pepys Street
London EC3N 4DA

MIDLAND
Member HSBC Group

We are an equal opportunities employer.

Marketing Manager

Leading Asset Management House

c.£40,000 + Benefits **City**

Superb opportunity to lead a new and innovative institutional marketing team and make a significant contribution to business development.

THE COMPANY

- Leading UK-based asset management group.
- Excellent reputation for investment performance and product innovation.
- Marketing function is professional, well funded and client focused.

THE POSITION

- Provide superb marketing support to UK institutional business and international operations. Lead and develop a newly-formed team.
- Develop and co-ordinate institutional marketing materials. Ensure provision of first-class service to key internal clients.
- Assist in co-ordination of new product and institutional business-development strategies. Drive market research. Develop and maintain institutional marketing/client databases.

QUALIFICATIONS

- Business/Finance/Economics graduate. Good understanding of financial markets and institutional investment preferred.
- Minimum 3 years' relevant experience co-ordinating institutional marketing materials. Strong market research ability and familiarity with creation and use of marketing/client databases.
- Energetic, possessing drive and initiative. Excellent interpersonal and organisational skills.

Please send full cv, stating salary, ref FS60104, to NBS, 10 Arthur Street, London EC4R 9AY

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EASTERN

Marketing Electricity

Ipswich ***Up to £60,000 + package***

- *The trading and retail selling of energy is becoming an increasingly open, competitive market, particularly in electricity where all customers in the UK will have complete choice of supplier from 1998.*
- *The Client*
  - *Eastern Group is an energy company pursuing planned national and international expansion.*
  - *Determined to expand their major share of the 23 million electricity customers in the UK.*
- *The Appointment*
  - *A new Marketing Manager to establish, then implement, a marketing strategy to help secure a larger share of the electricity market, within the greater energy market.*
  - *Development of innovative marketing initiatives that attract and retain customers applying best practice from a wide range of retail and service industries.*
  - *Reporting to the Head of Electricity Sales and Marketing and working with the Group strategy and trading development department.*
  - *Fully engaged in the commercial reality of the business.*
- *The Candidate*
  - *Proven ability in developing market strategy in the financial services, retail or energy sectors.*
  - *Keen interest in the application of branding, positioning and loyalty programmes to win and retain customers.*
  - *Commercial acumen and objective self confidence to establish, then enthusiastically motivate, a new team.*
  - *Graduate analytical skills, translated into clear, concise communication skills.*

Please send a summary of how you match this appointment with your curriculum vitae and salary details, to Peter Dell, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference PD696.

ERNST & YOUNG

Head of Syndications

London

Our client is an International merchant bank with fellow subsidiaries in the main financial centres providing global banking and treasury services to its clients. It has established an enviable reputation in emerging markets including niche strengths in structured trade and project finance, forfaiting, corporate debt trading and international financing for corporates.

It now wants to appoint a senior syndications specialist to enhance and develop the bank's capability to respond to the financing needs of key corporates in those countries where the bank has a strong market presence. The position represents a key element in the bank's strategy and the individual will be expected to fulfil a pivotal role in the shaping of the team and position the bank to be a natural choice as arranger.

The individual will need to possess exceptional marketing skills as well as having the drive and personality required to build relationships. This is a "hands on" role which encompasses origination, structuring and distribution for which a highly competitive salary, exceptional bonus potential and usual banking benefits are offered.

Please send a detailed Curriculum Vitae quoting reference ANC102 to Rochester Partnership Limited, 7 St Helen's Place, Bishopsgate, London EC3A 6AU. Tel: 0171 256 9000 Fax: 0171 256 9111.

R
Rochester Partnership Ltd

Outstanding opportunities for versatile individuals with significant project lending/advisory experience.

PROJECT FINANCE

Package £60,000-£90,000

Commerzbank AG, as a leading International German bank is an active participant in global financial markets and is expanding its investment banking business, which includes export and project finance. An award winner in European project finance in 1995, the project finance team is already well established in Frankfurt and the bank now seeks to expand its presence in London in four international industry sectors:

- **Transport and Telecommunications**
- **Industrial**
- **Natural Resources and Environment**
- **Power**

Educated to degree standard with possibly a professional qualification or MBA, candidates should have at least four years' experience in a senior capacity on arranging and/or advisory assignments. Strong credit skills relative to limited recourse financing are required together with well developed computer modelling abilities. A proven track record in the origination, negotiation and closing of complex limited recourse transactions and first hand knowledge of capital markets and derivative products will demonstrate the candidates' potential to succeed in a competitive environment.

The positions offer a high level of responsibility for those with the flexibility, flair and inter-personal skills to contribute to the success of this growing team of investment banking professionals.

Please will you send, in strict confidence, by post/fax, full career details quoting ref: PF5315/FT to our consultants: **Managing Director, CJA, 2 London Wall Buildings, London Wall, London EC2M 5PP. Tel: 0171 588 3588. Fax: 0171 256 8501.**

COMMERZBANK
German knowhow in global finance

Fund Accountants

J.P. Morgan Investment Management Inc. (JPMIM) in London is the international investment arm of J.P. Morgan & Co. Incorporated. With $157 billion under management, it is one of the premier investment management houses in the world. These assets are managed in a wide range of funds, domiciled throughout Europe, which invest in various financial instruments including US and international equities, bonds, money market and derivative instruments.

JPMIM is looking to expand its Funds Administration team in London by recruiting three Fund Accountants. These appointments will play an important role providing essential support from a financial accounting, tax, regulatory and fiduciary perspective.

You will be responsible for the following:

- Overseeing of daily fund operations, primarily externally produced Net Asset Value calculations.
- Development and maintenance of control procedures.
- Monitoring of accounting and tax policies relating to new and existing funds.
- Drafting of financial and regulatory statements.
- Preparation of fund expense budgets, financial analysis and MIS reporting.
- Planning fund dividend distribution.

To be a candidate, you should have three years fund accounting experience gained in a unit or master trust accounting service provider, an investment management company or exposure to the investment industry from a major accountancy firm.

Educated preferably to degree level or with an equivalent accountancy qualification, you must be self-motivated and possess excellent interpersonal skills. PC skills are important, with the ability to speak a second European language an advantage.

These positions offer a generous salary plus benefits package and excellent career prospects within one of the leading international banks.

J.P. Morgan Investment Management Inc. is an equal opportunity employer.

Please contact Elizabeth Williamson at Shepherd Little & Associates Limited, Cleary Court, 21/23 St Swithins Lane, London EC4N 8AD. Tel: 0171 626 1161, Fax: 0171 626 9400

JPMorgan

THE NORTHERN TRUST COMPANY

GLOBAL CUSTODY

Competitive packages London

The Northern Trust Company is a leading Global Custodian. Its reputation has been built upon a commitment to providing outstanding customer service, recruiting and developing high calibre individuals, and investing in the technology essential to remaining at the forefront of this competitive industry. Northern is seeking to fill the following key positions within its sales and marketing and relationship management activities.

HEAD OF GLOBAL CUSTODY SALES

The successful candidate will be responsible for leading sales and marketing of Northern Trust's services to pension funds, insurance companies and government entities in the UK and Europe. This key senior management role within the London office will provide the opportunity to significantly impact Northern Trust's presence in the market. Interaction with operations, client servicing and product development are all important aspects of this management position.

Reporting to the General Manager, candidates should be highly results oriented achievers and will be able to offer:

- A proven track record of sales and marketing and the ability to demonstrate how this experience has enabled them to convert prospects into successful sales.
- Technical expertise in Global Custody or other products within the securities industry.
- Outstanding communication and influencing skills.
- The ability to motivate and lead a professional sales team.
- A high degree of self motivation, together with sophisticated negotiation skills.

Ref: 6280/E

RELATIONSHIP MANAGER

The successful candidate will be responsible for managing and developing Northern Trust's relationships with the investment management community. This will involve undertaking formal service reviews, pursuing business development opportunities and resolving complex service issues.

Reporting to the Head of Investment Management Liaison, candidates should be able to offer:

- A proven track record of developing and maintaining strong working relationships within a service oriented environment.
- A thorough knowledge of Global Custody or investment management operations.
- The ability to actively identify new business opportunities.
- Strong interpersonal and influencing skills.
- Commercial acumen and maturity to enable them to influence at all levels within investment management organisations.

Ref: 6280/F

If you are interested in the positions, please send your CV with current salary details to: Karla Dalton, **K/F Associates**, 252 Regent Street, London W1R 6HL, **quoting the appropriate reference**, or alternatively by e-mail to cv@kfaeurope.com

Internet Home Page address: http://www kfaeurope.com/kfaeurope/

K/F ASSOCIATES
KORN/FERRY CARRE/ORBAN INTERNATIONAL

Corporate Finance Executive

International Merchant Bank

London **Competitive salary plus bonus**

This is an outstanding opportunity to join a busy corporate finance team as an executive in a prestigious bank with strong Middle Eastern connections.

Our client is a highly regarded, profitable institution, strongly funded by international shareholders. It is well placed to capitalise on the structural changes occurring within the principal markets in the Middle East. Corporate finance is a core activity with a clear strategy and plans for growth.

The position will involve contributing to transaction execution teams mainly in the areas of financial analysis, modelling and documentation. The successful applicant will be part of a London based team working on corporate finance transactions across a range of industry sectors, principally for clients in the Middle East and related areas.

High calibre individuals are sought with first class financial modelling and analytical skills, preferably with the capability of developing into transaction managers and client relationship officers. Candidates should ideally be in their mid-20s. Preference will be given to applicants who have attended a recognised corporate finance training programme at a leading financial institution. Cross border experience is desirable and travel will be necessary.

Please apply in strict confidence, enclosing a detailed CV and listing separately any companies to which your application should not be sent, to Geoff Selby, Ref. GR/321, Roose and Partners Advertising Limited, 100 Gray's Inn Road, London WC1X 8AU.

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APPOINTMENTS ADVERTISING

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Assistant Director – Export Finance

UK Merchant Bank

Excellent Package — **City**

Outstanding opportunity for experienced and talented export finance professional to join successful and expanding team.

THE COMPANY
- Worldwide banking group with extensive international coverage.
- International export finance is core product area.
- Experienced specialist finance team with very successful, high-profile track record.

THE POSITION
- New senior role within growing specialised team responsible for marketing, structuring and executing buyer credit finance.
- Full deal origination, structuring, negotiation and closing responsibility. UK Corporate market sector.
- Member of global team. High-profile, autonomous position offering real scope for using initiative.

QUALIFICATIONS
- Proven record of success in sourcing export finance transactions in UK market.
- Minimum 3 years' experience of innovative structured finance transactions. Syndication experience useful.
- Marketing, communication, relationship management and modelling skills key. Committed, motivated, performance-driven, team player.

Please send full cv, stating salary, ref FS60105, to NBS, 10 Arthur Street, London EC4R 9AY

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Structured Export Finance

Financial Engineer – Global Investment Bank

Excellent Package — **City**

Unique opportunity for commercially-oriented, robust individual to join newly-established team focused on new product development.

THE COMPANY
- Prestigious, innovative, profitable banking group. Success story in investment banking.
- Headquarters in London with office network in over 20 countries.
- Creative, stable team committed to relationship-driven business.

THE POSITION
- New role, reporting to head of group. Part of a team working closely with global marketing teams.
- Provide innovative solutions to export finance problems using securities, derivatives and tax-based products.
- Challenge export finance system, develop new products.

QUALIFICATIONS
- Demonstrable track record of structuring complex financing packages for projects in developing countries. Knowledge of export finance important.
- Leasing, Tax-driven, Derivatives, Capital markets or Asset finance background.
- Self-starter, versatile and commercially-adept with strong interpersonal and presentation skills.

Please send full cv, stating salary, ref FS60106, to NBS, 10 Arthur Street, London EC4R 9AY

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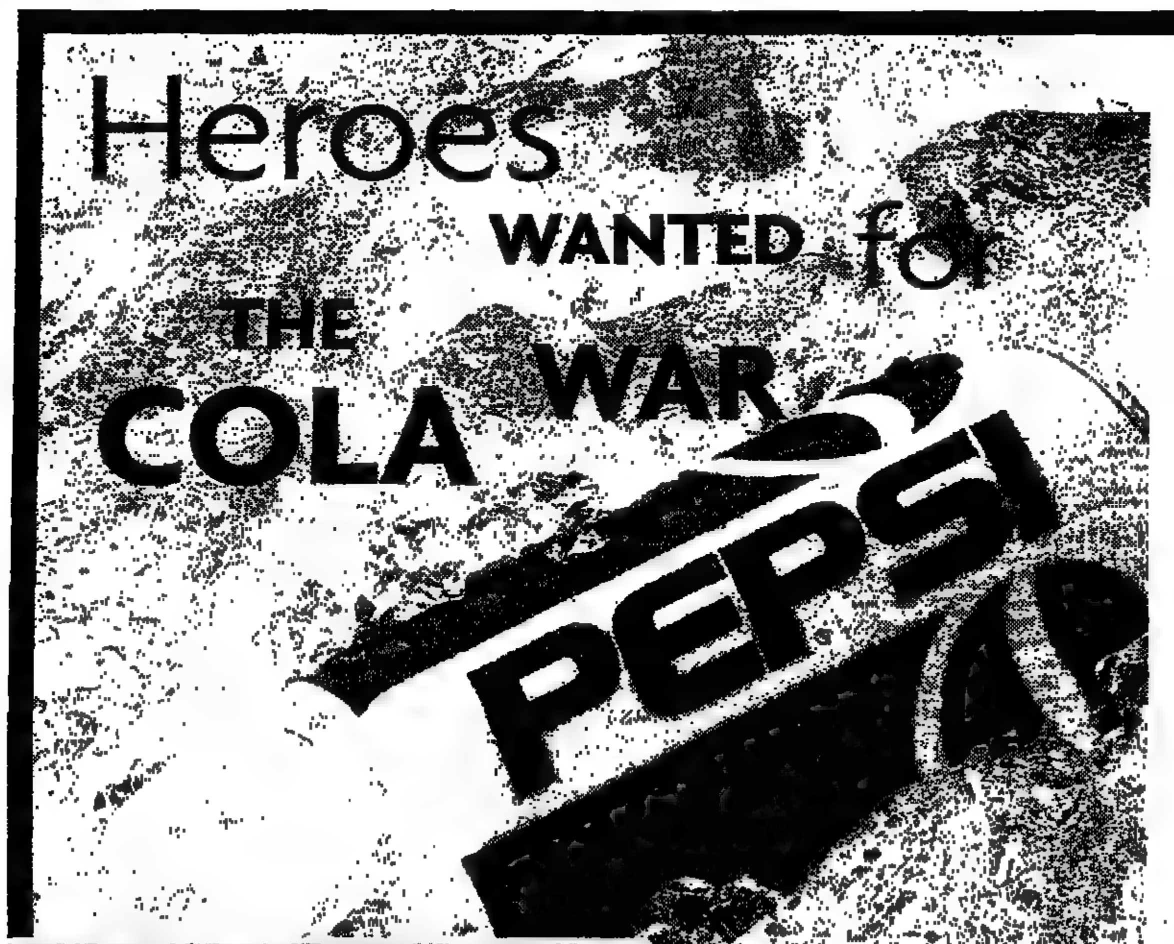

PepsiCo is one of the world's most successful consumer products companies. With a team of 471,000 employees in more than 175 countries, the corporation is an international leader in beverages, the world's largest producer of salty snack foods and the world's largest operator of quick service restaurants.

A WORLD OF OPPORTUNITIES

PEPSI-COLA INTERNATIONAL

General Managers – Sales & Distribution
Finance Managers
Plant Managers
Logistics Managers
Systems Managers
Salary US$ Extremely Attractive + full expatriate benefits
Renewable Fixed-Term Contracts (2-4 Years)

PepsiCo are planning to take Russia's eastern front by storm. In a country that's twice the size of the US, with a population three times that of the UK, we're planning an extraordinary campaign of expansion.

We are already the dominant force in the market. So we know that the Russian people love our beverages. And by setting up new bottling plants, sophisticated distribution programmes, and hundreds of new customer routes and vehicle fleets, we're going to make sure our customers get what they want, *across the breadth and depth of the country.*

Our strategic plan is to triple our business here in the next three years, which will create outstanding career opportunities for a few talented people. So we are issuing a unique challenge to top-flight individuals excited by the prospect of starting up new businesses or developing them over the crucial first few years. We are looking for trail-blazers to work as start-up teams; and managers who will come in and really make it happen afterwards. People with the leadership skills to develop, rally and drive forward our plans in Russia, accomplishing goals most people can only dream about.

You'll be looking for a career-making opportunity in a new country where you can really make your mark. Coupled with significant management experience in any one of five areas and a blue-chip track record, you will also have the ability to empathise with and develop high quality local staff. You must be prepared to move within Russia, and a second or third language to English (particularly Russian, Polish and French) *whilst not essential is desirable. Experience in the drinks or bottling industry would also be a* distinct advantage.

The challenges you will face are significant. But it's the opportunity of a lifetime and with PepsiCo's backing, the rewards will be equally substantial. We are prepared to tailor a very generous package to satisfy the requirements of the individuals we want. The renewable fixed-term contracts we are offering can be structured to suit you, and there are additional outstanding expatriate packages.

If you think you've got the right spirit of adventure, please send a comprehensive CV including full salary details to: The Response Centre, TCS Advertising, 35 Garway Road, London W2 4QF. Please quote reference number TCS/PR3 on the outside of the envelope. For further information why not look at our internet site on: URL, http://taps.com/pepsico-russia

PEPSICO

Project Director - Transportation

Far East

Salary Indicator £100,000 & Accommodation & Benefits

This is a superb opportunity to fully manage a landmark civil engineering/development project with an initial construction value of US$150m. The project comprises a high capacity bridge; tunnels and adjoining infrastructure works.

The person sought will be in overall charge of construction activities and will lead development appraisals and negotiations, managing in-house and external design teams, consultants and financiers. **Previous in-depth experience of project financing is desirable. Far Eastern based experience is a distinct advantage.**

Candidates should have a degree in either an engineering or business discipline (ideally both) and a career history of involvement in major projects in senior positions.

The company is presently engaged in a wide range of construction and development activities worldwide in the civil engineering; oil/gas and power generation markets. This project broadens the scope of operations into transportation **with the objective of creating a new strategic business unit.** This is a long term career opportunity with a successful entrepreneurial company.

Interested candidates should submit their CV's in the first instance to Chris Cheetham (advising the client), quoting reference FT/1004/CC at:
PRS Limited, Culpitt House, 74-78 Town Centre, Hatfield, Herts, AL10 0JW.
Fax: 01707 256881

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The Royal Institute of International Affairs

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Director

To succeed Professor Sir Laurence Martin

The Royal Institute of International Affairs is a world-renowned independent centre for the discussion, research and analysis of foreign affairs. The Institute was set up in 1920 by former delegates to the Paris Peace Conference in 1919. *It received its Royal Charter in 1926.*

The successful applicant will take up the appointment on January 1st 1997. Those interested should write to the Chairman, Lord Wright of Richmond, at the RIIA, Chatham House, 10 St James's Square, London, SW1Y 4LE. Closing date for applications is February 29th 1996.

The Institute is a registered charity No. 208223.

ENERGY TEAM (OIL AND GAS)

Investment Banking opportunity

Competitive salary & banking benefits · London base

Our client, a prestigious US investment bank actively trading world-wide, is looking for an experienced professional at Associate level to join its Energy Team in the Investment Banking Division, based in London.

You must hold an MBA from one of the very top international business schools and demonstrate proven academic excellence, including a good primary degree in petroleum geology or petroleum *engineering. In addition to hands-on engineering* experience, you will have a recent track record of financial services experience with emphasis on privatisation within the oil and gas industry sector in the Indian subcontinent, gained in a *blue-chip investment bank.*

You will play a critical role in developing and executing investment banking business in South East Asia, including mergers and acquisitions, IPOs for former state-owned corporations and the emerging private sector, and the co-ordination and management of other public offerings and private placements of debt and equity securities. The co-ordination and preparation of materials and exhibits related to business development and transaction execution is also required.

Candidates must have a high energy level, be able to cope in a highly-pressurised environment and have proven interpersonal skills.

Fluency in English and at least two Indian languages is essential.

The rewards package and career development prospects are excellent.

To apply, please write with your full CV and quote *reference 331, to: Alastair Lyon,* Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be sent to this client but please indicate any company to which your details should not be forwarded.

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D J Fraser & Co Ltd acts as an Introducing Broker to Mees Pierson ICS Ltd, servicing domestic & international clients in global equity & derivative markets.

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Salary & performance incentives.

Reply in writing with full CV to:
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For senior management positions.
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Will Thomas
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MANAGING DIRECTOR

CENTRAL ASIAN REPUBLIC

A multinational company is seeking a director of operations in Kyrgystan. The applicant should have an MBA degree with an emphasis on international business administration, must speak fluent Russian and English, and be familiar with the economic and political issues of the region. Marketing skills with regards to hardwood timber resources would be helpful, but not required. The candidate should be able to manage a project from planning to implementation and must also be able to work with multinational companies. An overview of the latest economic developments in foreign investment, joint ventures and politics in the newly-formed Central Asian countries would be helpful. A competitive package is available to the right candidate.

PLEASE RESPOND BY FAX TO OUR OFFICE IN HOUSTON AT (713) 789-2268

MONEY BROKING - CITY

We are currently seeking a young graduate to join our progressive broking firm as a trainee broker. The suitable applicant should ideally be under 25 years of age and smart in appearance. Other qualities to include an ability to communicate, quick mind, personable character and a willingness to work hard. A second European language, ideally French, is preferred and the ability to work in a team is essential.

Training will be given; The remuneration will depend on the qualifications of the successful candidate.

Please apply in confidence enclosing C.V. to Box A5261, Financial Times, One Southwark Bridge, London SE1 9HL

APPOINTMENTS WANTED

YOUNG ENTREPRENEUR (32)

Please write to Box A5799, Financial Times, One Southwark Bridge, London SE1 9HL

هكذا من الاصل

Excellent Remuneration Package

Worldwide Multinational

One of the world's largest and most profitable consumer packaged goods companies, manufacturing and marketing a wide range of quality products, continues to successfully grow in Central and Eastern Europe.

At the Headquarters based in Switzerland there is now a business need to recruit exceptional individuals who will have an opportunity to be part of a Corporate Affairs team.

CORPORATE AFFAIRS EXECUTIVES
Central Europe / Eastern Europe

- Superb career opportunities have arisen in Corporate Affairs for two motivated, professional Executives interested in joining a dynamic Headquarters team in Switzerland.
- Reporting to Corporate Affairs regional management, successful applicants will be charged with assessing and responding to challenges and opportunities associated with the legislative and regulatory environments in which the growing businesses in Central and Eastern Europe operate.
- In responding to such challenges and opportunities, Executives will be expected to gain a strong understanding of the business in Central and Eastern Europe; build and refine internal and external corporate relations; and, design and execute strategic initiatives and programmes aimed at ensuring a favourable business environment in these geographic areas.
- Team fit will require applicants to be comfortable being part of a team as well as being able to succeed as an individual contributor. Preferred age range 27-35 years.
- A graduate, preferably in the field of political science, international relations or economics, coupled with the ability to think strategically but operationally deliver, will need to be evident at interview.
- Excellent analytical and communications skills, both verbal and written, are an absolute must. Knowledge of a Central/Eastern European language and/or German would be an additional advantage.
- Academic qualifications must be complemented by at least three years experience with a Public Affairs Agency or government organisation; preferably with involvement in the emerging markets of Central and Eastern Europe. Ideal candidates will have worked in a public affairs/government relations position with a blue-chip FMCG multinational active in the region.
- Willingness to undertake significant business travel and ability to rapidly adjust to multicultural operating environments are required.

COMMUNICATIONS MANAGER

- Continued business growth has created a unique challenge to be part of a growing team based at the Headquarters.
- The successful applicant will report directly to the Director, Communications, Media and Public Affairs and will work in partnership to build and execute a communications strategy in parallel with the continued success of the business.
- This diverse role will cover media relations, input to communications programmes, liaison with company affiliates and internal skills development of Corporate representatives.
- The ability to build and sustain sound interpersonal relationships both internal and external, with limited direction will be key to the success of this role. Cultural sensitivity & adjustment must be self evident.
- Interested applicants must hold a university degree or equivalent and will need to demonstrate a thorough understanding of European and International media, specific to business.
- Excellent written & spoken English supported by a persuasive yet diplomatic manner, coupled with a creative approach to work are considered necessary prerequisites for this role. A second language will be a real asset.
- Applicants must have five years post graduate hands-on work experience in press and public relations preferably in an American/blue-chip corporate environment or a Public Relations Agency. Applicants under 28 years are unlikely to have the depth & level of experience to thrive in this demanding environment.
- Mobility is a must, extensive travel will be part of the brief.

If you feel you have the business and personal qualities to contribute to the continued success of a major multinational, they in turn will provide an excellent platform for development.

Please reply in the strictest confidence with full curriculum vitae and covering letter, stating current remuneration package to:
Researching Centre: ref. 276 173 289
OFA Orell Fussli Publicité SA
Rue de la Gabelle 6 – Case postale
1211 Geneve, Switzerland

Closing date for receipt of applications is 5th February 1996.

QUANTITATIVE EQUITY RESEARCH

for Derivatives Business

London

Our client is a major investment bank with a high profile presence in global derivatives markets. The Quantitative Equity Research Group works at the leading edge of mathematical and computational science, and now has an opportunity for a research scientist to further develop the techniques for risk management and product analysis.

This is a demanding challenge calling for a Ph.D level physicist with 10 years' post-doctoral research experience and relevant expertise in quantitative risk measurement and derivative product analysis including valuations and interest rate yield curves.

The crucial computational skills required for the role include:

- Hardware design
- Software design for data and event-driven systems
- C, FORTRAN, UNIX
- Client Server process design; multi-thread applications
- X-Windows, GUI's, TCP/IP, Oracle, SPARC
- RISC facilities to perform large volume data reconstruction.

Your track record in research will have given you exposure in presentations at international conferences and seminars, and involved you in collaborative projects with laboratories and universities. Your intellect must be complemented by the interpersonal skills to lead and direct teams of scientists and engineers on research, data analysis and computational implementation projects. Ideally there will be scholarships and/or awards amongst your achievements.

These are exacting parameters for a highly challenging role. The rewards on offer, along with the career prospects, are everything your talents deserve.

Please send your C.V. to: Alastair Lyon, Confidential Reply Handling Service, Ref: 333, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Your application will only be sent to this client, but please indicate any organisation to whom your details should not be forwarded.

ASSOCIATES IN ADVERTISING

FT FINANCIAL TIMES — Les Echos *Le Quotidien de l'Economie*

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.
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GRADUATES

Applications invited from exceptional recent or experienced graduates for 5 positions in accelerated career programme with private firm.
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(0181) 240 4292 or 397 5044

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Cayman Islands

Business Development and operational responsibility for IPB unit with focus on trust, corporate administration and banking services for HNWI's. Substantial marketing experience of offshore trust and private banking services is essential.
Contact Brian Bridson LLB ACA on 0151 625 0565. Financial Recruitment International, Southmead, Long Hey Road, Caldy, Wirral. L48 1LY. England. Fax 0151 625 0056

FINANCIAL RECRUITMENT INTERNATIONAL

JAPANESE EQUITIES ANALYST

Independent fund management company seeks Japanese Equities Analyst. Must have a good degree in a finance related discipline and a minimum of 2 years' analytical experience with a financial institution in Japan. Must be bilingual in English and Japanese, computer literate and willing to travel. Competitive package offered.

Reply in writing with full C.V. to Box A5257, Financial Times, One Southwark Bridge, London SE1 9HL.

FINANCIAL OPTIONS CLERK

Responsible, motivated person needed for options trading company on LIFFE. Applicants should be numerate and must have a specific desire to progress to trade financial options. The successful candidate will participate in a comprehensive training program. No prior industry experience is necessary.

Respond to Box A5258, Financial Times, One Southwark Bridge, London SE1 9HL.

ACCOUNTANCY APPOINTMENTS

Corporate Finance Due Diligence

London — ***Excellent packages***

▪ With an enviable number of blue chip clients, Ernst & Young's Due Diligence team is regularly involved in a significant number of major UK and international transactions and forms the largest component of the firm's increasingly high profile Corporate Finance department.

▪ Central to the continued growth of the Due Diligence team is the appointment of a number of ambitious, commercially oriented due diligence managers and senior managers.

▪ Developing key relationships with senior executives from a wide range of clients and financial institutions you will have a vital role in the successful completion of corporate finance assignments. Responsibilities will encompass the project management of pre and post acquisition reviews, stock exchange work and special projects.

▪ To take full advantage of the outstanding career development opportunities it is likely that you:

- *Have proven due diligence expertise gained with a large plc or accountancy firm.*
- *Have a good academic record as well as a professional accounting qualification.*
- *Are an energetic team player with excellent written, interpersonal and presentation skills and proven people management abilities.*
- *Have a high level of commercial acumen and are committed to adding value to the due diligence process.*

▪ Relocation assistance can be provided for successful candidates currently based outside of London.

▪ Please send your curriculum vitae, including current remuneration, to Richard Pooley or Susan Milford at Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference: RP684.

ERNST & YOUNG

European Finance Manager

West London — **£45,000 + Package**

Our client is a US$2 billion turnover distributor of networking and cabling systems.

Trading since 1957, the company has grown to become one of the leaders in its field with a truly worldwide distribution network and employing more than 4,000 people.

Due to a recent restructuring within Europe, the European headquarters are being relocated from Brussels to West London.

In order to strengthen their financial and commercial expertise, our client is seeking to appoint an experienced European Manager with strong communication and technical skills with the ability to become an integral part of the management team.

Working closely with the regional accountants, the role encompasses not only the development of the systems and accounting procedures but also the development of the individuals within the Finance team. Critical to the success will be the ability to develop strong working relationships across the group.

Candidates will be qualified with a proven record of senior management experience from within a European Head Office/Operating division. The successful individual must demonstrate well developed interpersonal skills along with high levels of personal presence, maturity and commercial acumen in order to make a positive contribution to the continued growth of the company.

Interested applicants should write enclosing an up-to-date curriculum vitae, quoting reference number 247443 to Laurence Pengelly at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

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Michael Page Finance
Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
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FINANCIAL CONTROLLER

PACKAGING - SUB OF US MULTINATIONAL

SOUTH OF ENGLAND — **TO £45,000 + CAR**

Our client is a US based multinational and a brand leader in its field. Their UK subsidiary, part of their worldwide packaging division, seeks a high calibre Financial Controller to oversee the total finance function.

You will report to the General Manager and be a key member of the management team with overall responsibility for the total finance function which also incorporates treasury, taxation and information processing. You will control a small highly motivated team and make a strong contribution to the formulation and implementation of the Company's future long term plans and strategy.

You will probably be in your mid 30's, be a qualified accountant, preferably with a degree or an MBA and have worked in a responsible role in a finance function of a major multinational company preferably in a manufacturing environment. First class technical, I.T. knowledge and interpersonal skills are a prerequisite, as is hands-on style. You must be highly motivated with strong leadership qualities and above all, you must have the strength of personality, intelligence, commitment and flexibility to succeed in a competitive and commercial environment poised for growth.

This is a career development opportunity and will appeal to those candidates seeking to advance their careers with a major multinational corporation in a European environment.

If you are interested, please send your CV in confidence to Stuart W J Adamson FCA, quoting reference number 4010 to Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY. Telephone number 0113 245 1212. Fax number 0113 242 0802.

ADAMSON & PARTNERS
INTERNATIONAL EXECUTIVE SEARCH & SELECTION

FINANCE DIRECTOR

Paris

FF 500-550,000, Substantial Bonus, Car

Our client is the French operation within a significant division of a major UK Plc which operates in over 100 countries worldwide.

This role reports to the Managing Director and will be instrumental in maximising the potential of the business. Responsible for a professional team you will:

- Review and develop all systems and controls to the highest standards.
- Ensure timely and accurate information is provided to the London Head Office.
- Provide commercial analysis and interface with both the marketing function and customers.
- Support the Managing Director in driving the business forward.

As a qualified Accountant, you will have well-developed leadership skills and a strong affinity with computerised systems. You will have used your broad financial management experience to contribute, in commercial as well as financial terms, to the bottom-line. You must have also successfully and positively influenced your non-finance peer group.

It is essential that you have worked in France, almost certainly for a large international group, and must be able to operate with equal ease in both French and English. Experience of an environment with a significant element of distribution and/or marketing would be ideal.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY. Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HKW/12005/FT.

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION
THE PSD GROUP

هكذا من الأصل

EUROPEAN FINANCIAL CONTROLLER

Barking, London **c.£42,500 + Car**

TRANSAMERICA TRAILER LEASING, part of the prestigious San Francisco based Transamerica Corporation is a market leader in the provision of over-the-road equipment. Reporting to the General Manager (Europe), this key position controls all Financial reporting and strategy for Europe. Based in Barking, East London, travel can be expected both within Europe and to the US.

THE COMPANY

- Fastest growing trailer leasing Company in Europe with over 8,000 units and sales of $71m
- Subsidiary of a major US multinational with substantial assets worldwide
- Dynamic and fast moving management culture

THE PERSON

- Technically proficient Qualified Accountant (ACA/ACCA/ACMA) with 3-5 years PQE
- Accounting experience gained in Europe, ideally Belgium, with knowledge of US GAAP
- Fluency in Dutch, German or French is essential
- Commercially astute and business orientated
- Strong IT systems skills including PC packages

THE ROLE

- Responsible for financial planning and reporting for all European businesses
- Liaison with key decision makers in the formulation of medium term strategy
- Control reviews for operating divisions: supervision of staff in UK and Belgium
- Coordination of Tax, Treasury and Statutory reporting and liaison with auditors

Please contact our advising consultants David Howell or Sharmila Sharon Parekh at Executive Match on 0171 872 5544, or write enclosing your Curriculum Vitae quoting reference R/190 to them at:

TRANSAMERICA LEASING

EXECUTIVE MATCH
1 Northumberland Avenue,
Trafalgar Square,
London WC2N 5BW
(Fax: 0171 753 2745)

Corporate Finance

Premier Financial Institution

To £50,000 + Bonus & Benefits **City**

Outstanding career opportunity for bright, ambitious treasury professional to join newly-formed corporate finance team. Broad involvement in diverse projects, assessing £multibillion capital structure. This City institution has a global profile and international interests.

THE POSITION

- Non-routine, project-based role. Develop strategies on liquidity, solvency and special financing schemes.
- Responsible for banking, financial and trustee relationships. Manage overseas statutory deposits and trust funds.
- High-profile, wide-ranging remit. Report direct to Head of Corporate Finance. Excellent career development potential.

QUALIFICATIONS

- At least three years' Treasury experience. Good academic/professional qualifications, preferably including MCT.
- Broad knowledge of treasury gained in banking, financial services or industry. IT literate.
- Lively, intelligent lateral-thinker. Team player. First-rate interpersonal skills. Credible.

Please send full cv, stating salary, ref SP4126, to NBS, 10 Arthur Street, London EC4R 9AY

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Aspiring Young Finance Professionals

Major UK plc

c.£35,000 + Car & Benefits **North of England**

High-profile manufacturing operation is looking to strengthen its finance team to provide future business leaders and directors.

THE COMPANY

- £multibillion turnover. Profitable with strong order book. Leading-edge products. International markets.
- Significant business reorientation towards autonomous profit-accountable business units supported by multifunctional teams.
- Committed to developing its people. Scope for commercially-aware, talented individuals to make rapid progress.

THE POSITIONS

- High visibility roles working closely with senior management teams to improve efficiency and profitability through improved financial analysis and management.
- Early line-management experience for able individuals with commercial acumen and influencing skills.
- Increase financial dimension to business decision making particularly by the development of relevant and accurate information.

QUALIFICATIONS

- Graduate-calibre, qualified accountant with minimum of 5 years' industrial experience, preferably in a plc. Must be able to see the big picture.
- Proactive, hands-on style. Ambitious and accomplished managers. Comfortable with change.
- Mature and influential but probably under 30.

Please send full cv, stating salary, ref MN60106, to NBS, Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP

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Group Finance Director

South East **c£80,000-£100,000 plus Share Options**

Dynamic publicly quoted industrial and commercial support services provider, with a turnover in excess of £100 million pa and outstanding growth prospects, wishes to appoint a Group Finance Director. The group operates from 30 UK locations, has a strong emphasis on valuing its employees, and on innovation and adding value in the delivery of high quality customer services. The group operates a devolved management style promoting accountability and individual initiative.

Reporting to the group managing director, you will play a major role in the further development of the group, instigating change and improvement in the financial management and control systems and the development of the wider application of IT in the operation of the business. A key role will be in the development of policy and the active leadership of the financial management team in its implementation. The job calls for a team player who is a good communicator and can contribute in the widest sense to the management of the business, to the character and strength of the management team and to the group's evolving cultural values.

You will have that unique capacity to add value and improvement. You will probably have significant success in the financial management of a public company or subsidiary of a multinational group known for its high quality management information systems. Experience of running a commercial operation at divisional or subsidiary level would be an advantage, as well as exposure to investor relations.

Please write with full CV to Barkers Human Resources, Berwick House, 35 Livery Street, Birmingham B3 2PB. Please quote reference M835.

Your CV will be sent to this client only. Please list those companies to whom your details should not be sent.

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COMMERCIAL FINANCE MANAGER

LEVER

c.£48,000
+ Bonus
+ FE Car
+ International Company Benefits
Surrey

Lever Brothers is the UK arm of Lever Europe, Unilever's market leading detergent business. Its flagship brands are found in every household – Persil, Comfort, Domestos, Jif and Dove.

Following an internal promotion, a rare and excellent opportunity has arisen to join this global business at a senior level. Reporting to the UK Commercial Director, responsibilities will include:-

- Preparation and presentation of strategic and operating plans to the UK Board.
- Reporting and analysis of results. Evaluation of market development, brand plans and competitor analysis.
- Enhancement of financial, reporting and information systems through the development of a professional team.

Candidates will be graduates, qualified ACMA/ACA with a proven track record in financial and business management across all disciplines. Although ideally aged between 28 and 33, the successful candidate will possess exceptional commercial focus, developed planning and people management skills.

Career prospects within Unilever's global businesses are excellent for high achievers with the ambition and drive to succeed in this highly visible role.

Please apply enclosing full CV, quoting ref. 1210, to Vikki Sly at Robert Half, Princess Beatrice House, Victoria Street, Windsor, Berkshire SL4 1EH. Telephone 01753 857777 or fax on 01753 841676 (24 hour answering service).

As retained consultants, any CVs submitted directly to our client will be forwarded to Robert Half.

ROBERT HALF
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GLOBAL INVESTMENT MANAGEMENT

Audit Manager

CENTRAL LONDON c£50K + CAR + BENEFITS

Our client is one of the leaders of the financial services industry with a market capitalisation of £8 billion. The investment management operation manages funds in excess of £70 billion, through offices located in their main markets around the world.

Working within the professional group internal audit team, the brief is to strengthen and manage the audit programme for the global investment management business. This will require up to 25% overseas travel. The role offers an excellent opportunity to join the Group financial team of a major public company, and build a long term career with a successful organisation.

You will have to develop a close working relationship with senior investment professionals. You will possess strong influencing and interpersonal skills as well as intellectual agility. Excellent oral and written communication skills will be needed for persuasive report writing and presentations to individuals at board level.

You must be able to demonstrate a successful record in the audit of investment management companies. Qualified individuals, from either the audit profession or the investment management industry, will be considered. Those with the right experience will have had personal responsibility for a major new account or similar large scale project.

Please write in confidence, with full career and salary details, to Gemma Jenkin, MSL International Limited, 32 Aybrook Street, London W1M 3JL. Please quote reference 58039.

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KPMG

Finance Director

Birmingham/London c£80,000 + car + benefits

Board level opportunity for a skilled change manager

Our client is a well established, leading professional practice which, in common with other professional firms, is undergoing a process of significant change. The management team has ambitious plans for growth and now wishes to appoint a Finance Director to further strengthen the Board.

Reporting to the Managing Partner, responsibilities will be broad and include strategic contribution to the firm's development, through the provision, analysis and evaluation of appropriate financial information. Additional key tasks will include the development of the firm's systems and procedures, as well as managing relationships with professional advisers and bankers.

Candidates must be qualified Accountants with at least five years' operational experience in a senior finance role within a medium/large sized services organisation, where their remit has been necessarily broad. An empathy with partnership environment is preferred although not essential. The firm seeks a committed, disciplined and mature individual who has first class interpersonal skills and sound commercial acumen. A comprehensive remuneration package is offered.

Applicants should write, enclosing full career and salary details, quoting reference B/743/96, to Alison Hann, KPMG Selection & Search, 2 Cornwall Street, Birmingham B3 2DL.

KPMG Selection & Search

Coopers & Lybrand | Executive Resourcing

Vice President - Finance

GENEVA **OVER CHF 250,000 + BENEFITS PACKAGE**

This is a truly exceptional opportunity for an outstanding individual to join the European Headquarters of a substantial manufacturing and marketing chemicals organisation. This organisation is an integral part of a world-wide chemicals operation which is itself a subsidiary of one of the world's largest integrated oil and petro-chemical companies.

As a key member of the management team, you will be expected to provide leadership and direction across a wide range of commercial activities and functions. In addition to delivering the financial and business information and advice necessary to further develop and strengthen the operations on a pan-European basis. You will also be required to take a lead role in the planning process across the operations and in identifying development and further growth and investment opportunities.

To succeed, you will need to be a proactive and robust individual with proven analytical, financial planning and business development skills. Ideally an MBA with an outstanding academic background, you must be able to demonstrate a track record of increasing responsibility and meaningful contribution to business performance. The capability to work across functions in achieving growth and managing change is essential, as is the ability to communicate and influence at most senior levels. The successful candidate should not want to limit their future career to this role.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Limited, 1 Embankment Place, London WC2N 6NN, quoting reference AE917 on both envelope and letter.

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Group Financial Controller

c.£60,000 + car + benefits West Yorkshire

About Us

We are a prominent public company in the chemical industry. We are highly diversified with widespread international interests. Over the past few years we have not always had an easy ride, but, we are now looking forward. At the centre, we have a new management team and are working through a major programme of change and restructuring. We accept that the road ahead may still be bumpy over the months to come. However, the challenges we face are exciting and we are optimistic about our future.

The Role

This will be very much the number two to the Group Finance Director, supporting him in many of his duties and deputising for him in his absence. In addition to the provision of financial information, annual accounts and day to day financial control and consolidation, you will be actively managing budgeting, forecasting and capital and central costs. The role is, however, much wider than merely controlling numbers. You will undertake a variety of projects, provide financial support to group management and to the investor relations programme. Only your own ambitions and ability will restrict you in developing this role. We are looking for someone who wants to progress and can take on more.

About You

You will be a qualified accountant, probably in the age range 33-45. You will have management experience in controlling a corporate accounting team (ideally with international subsidiaries) in a listed manufacturing or industrial company. You will have a track record of achievement and be well used to dealing with senior management of various disciplines. You will be familiar with statutory accounts within a public company, IS literate and can hold your own with product costing. In personal terms, you will be tenacious and robust, but still have sufficient sensitivity to communicate and interact effectively and be a strong team player. You will be eager to take on responsibility and be both intelligent and commercially aware. You will also need a sense of humour at times.

Why this could be the role for you?

If you lack confidence or are looking for an easy option – forget it. This is not the job for you. However, if you like a challenge, progression and working alongside a Finance Director who will delegate and give you as much responsibility as you can cope with, this could be what you have been looking for. This job will provide you with exposure at the highest level and could well be the stepping stone you need in order to become a finance director.

Next Step

Please write to our advising consultant, Jenny Mayes, quoting reference G/0075 at the address below. Alternatively if you would like a discreet conversation about the role, please call her on 0121-200 3000.

Executive Search & Selection,
Price Waterhouse,
Cornwall Court,
19 Cornwall Street,
Birmingham B3 2DT.
Fax: 0121-200 2464.

ARE YOU LOOKING FOR THE PERFECT VEHICLE FOR YOUR ACCOUNTANCY SKILLS?

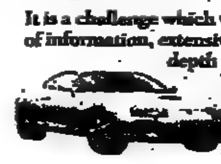
If so, consider this Financial and Management consultancy role for the Toyota dealer Network

c£30K + car + second car option

Toyota (GB) Ltd is the sole distributor of Toyota cars in the UK – both imported vehicles and those manufactured at the company's new plant in Derbyshire. With sales volumes rapidly rising, these are exciting times of change and dynamic development for our growing franchise.

The role of a Regional Business Management Manager is critical to the continual improvement in profitability for the 50 or so dealerships you would be responsible for. A key task will be the successful launch of new dealers. In essence this is a consultancy role, helping individual dealers to get the best out of Toyota's programme of Profit Performance Indicators, advising Dealer Principals and their management teams on 'best practice' techniques and liaising closely with colleagues and financial partners over matters of company structure, capital and funding arrangements.

It is a challenge which will involve the assimilation of a broad range of information, extensive travel to dealers around the region and in-depth analysis of performances and processes.



You'll be based at home, you'll set your own agenda and you'll use your energy and initiative to deliver tangible results. Your brief will encompass virtually every area of the business, including the evaluation of prospective new dealerships and close involvement in the ongoing development of financial reporting systems.

A professionally qualified accountant with a dynamic personality and exceptional communication skills, your talents for financial analysis, company structuring and computer modelling must be balanced by the ability to persuade and influence others through charisma and credibility. In-depth knowledge of franchise business management, ideally motor dealerships, will be important. So too will be an understanding that profitability and service quality must go hand in hand.

This is an exceptional opportunity to make an indelible mark on the future of our growing business. The prospects are outstanding and so are the rewards, with an excellent package including a car, second car option, non-contributory pension scheme and relocation assistance where appropriate.

Please write with full CV, quoting reference 337, to: The Response Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

THE CAR IN FRONT IS A TOYOTA

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Financial Controller

Major US real estate group needs key player for European growth plans

c.£50,000 package London based

The Company

A leading US real estate investment group, we have just established a £500 million subsidiary in Europe, with plans to add further companies in due course. We are seeking to hire flexible, multi-skilled, multi-talented and smart people.

The Role

You'll work directly alongside the European managing director (an American) and take responsibility for the day-to-day financial matters including overseeing the flow of funds. The immediate learning curve will be steep, particularly in relation to the various financial modelling tools/spreadsheets that we use. Assisting with presentations to financial institutions, some regular travel to the continent and heavy liaison with the US is also part of the role. Beyond that, in a multi-skilled environment, we will use whatever additional talents you can bring to the team. As European affiliates grow, and as you demonstrate your capabilities, significant opportunities for growth in responsibility and title will emerge.

About You

Probably a graduate CA with a sound accounting/forecasting base of knowledge. If you have 'Big 6' accounting firm or major corporation experience and/or an MBA – and maybe even some corporate finance exposure, then so much the better. You'll relish the stimulation of an intellectually challenging work environment that demands deep reserves of mental and physical energy. At present we're a small office so the need for teamwork is vital.

Next Step

This really is a rare opportunity to get in early on a venture that is going to grow significantly. We're making a big commitment to building a business over here – it's a great time to join. State your case and write to our advising consultant, David Hunter, quoting reference L/1617/FT.

Executive Search & Selection,
Price Waterhouse,
No 1 London Bridge,
London SE1 9QL.
Fax: 0171-403 5265.

CHIEF INTERNAL AUDITOR

ATTRACTIVE TAX-FREE PACKAGE

THE BANK OF BERMUDA LIMITED

Bank of Bermuda is a global financial institution with its Head Office in Bermuda and operations in major cities around the world, specialising in offshore activities, ranging from investment management to corporate and personal trust services. As a result of internal promotion a need has arisen for a Chief Internal Auditor to assume responsibility for all internal audit activities within The Bank of Bermuda group. The position is based in Bermuda and involves travel.

This is a senior management position within the organisation, reporting directly to the President with responsibility for:

- Developing yearly audit plans and allocating resources to meet audit objectives and standards.
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ARTS

Drama at the cutting edge

Sarah Hemming talks to controversial American playwright Naomi Wallace


Naomi Wallace on the visceral set of 'Slaughter City', which opens at The Pit next week — Ashley Ashwood

In the RSC canteen, you soon spot the crew working on Naomi Wallace's new play – they are the ones splattered chest-to-toe in blood. *Slaughter City*, which opens next week, is set in an abattoir. It calls for an auditorium bathed in gore, actors who wield knives and talk about chitterlings and hog guts and several buckets of blood.

This will come as little surprise to those familiar with the American playwright's work: she has never been one for the soft option. Her subjects to date have included vigilantes on the Tex-Mex border (*War Boys*), gay love between Gulf War soldiers (*In the Heart of America*) and plague-ridden London (*One Flea Spare*). But they have all hit home: her success on British soil has been rapid. A poet who only started writing drama five years ago, she has travelled from the enterprising but tiny Finborough fringe theatre to the RSC in just four plays – progress many would find enviable.

Contrary to expectations, the perpetrator of all this tough-talking drama is not big, brawny and butch, but a slight woman in her mid-30s with an easy manner and a ready smile. She happened upon her latest subject by chance.

"I was back home in Kentucky in the summer of '92 and day after day I would drive by a group of workers who were on strike," she remembers. "And I started to think about them. The meat-packing companies have no windows: they're big, brick, ugly buildings. I started wondering what it was like to work in a place like that and I began to read up about how dangerous a job it was.

"But I was also fascinated by the texture of the whole thing . . . I mean I'm not attracted to gore, but there's some sort of sensuality to it, working with blood and flesh. And it's interesting too that most of us build something in our jobs, but the slaughter industry takes something apart: they start with a living animal and make it into smaller and smaller pieces."

Researching this slice of what you might call drama at the cutting edge did not prove easy. Wallace talked to workers and ex-workers, but getting in to actually watch the dismemberment in action was more difficult. She visited two abattoirs, but The Fischer Packing Company, the one involved in the dispute, was not open to callers.

"We spent months trying to get in," she recalls. "It's harder to get into than Fort Knox. Meat-packing companies and slaughter houses are notoriously secretive. I think they're afraid. They used to have tours there, but people used to throw up and they don't really want the bother of that . . ."

RSC audiences will be relieved to learn that Wallace intends no such realistic responses in the auditorium – you will see fewer actual carcasses and body parts than in your average Jacobean classic. Besides, the precise violence of the everyday language alone will be enough to turn most stomachs – the play rings with references to "gut snapping", "the kill floor", "pulling loins" and "sawing backs".

Vegetarians may feel vindicated but Wallace is not out simply to espouse causes – either on behalf of the animals or the workers.

The play is certainly a political piece; the daughter of a Time Life journalist and a liberal Dutch mother, Wallace has been a political animal since she was a child (she recalls marching in an anti-Vietnam rally at the age of eight) and would find it hard to write a play that was not politically engaged. But she shudders at the thought of agitprop. "I would hate for anyone to hear that it's a labour play or a union play – I mean, I wouldn't go and see it myself!"

So while the play deals with an industrial dispute, it is also intensely personal, focusing on a small group of workers and their relationships, and it is surprisingly funny, muscular and upbeat. Her work is never simply naturalistic: plays often slither between past and present, reality and fantasy and combine a poetic structure with hard-nosed facts.

Slaughter City has a sweeping, almost mythic quality to it, and since it is cut loose from pure realism, you can make of it what you want – an allegory of modern America, a dystopian vision of the future, a modern inferno.

The play is given a further dimension by a curious, time-travelling character called Cod, who conjures up workers from times past and has vivid personal recall of labour disputes through the ages. Juggling time is a device Wallace has used before in *In the Heart of America* – and she finds it offers rich possibilities for illuminating the present. "I've always been interested in layering. I like to de-centre a play, so that just when you think you've got hold of an answer it slips away. Of course, you've got to be careful, or people might feel empty-handed, rather than intrigued."

This, in a sense, sums her up. She relishes contradictions and her work thrives on surprise, changes of direction and odd revelations. Her plays are full of unexpected love affairs and unconventional eroticism. Several characters in *Slaughter City* are driven by frustrated desire, while in *One Flea Spare* she portrayed a bizarre sexual encounter between a wounded man and a woman with scarred hands.

"I'm interested in challenging notions of what is erotic and what is sexy, and how you portray it on stage," she explains, and adds that, for her, even the most intimate moment can be deeply political. "If you work in a place that doesn't protect you and your body is destroyed, that affects how you love, how you make love and who you may choose to love."

Not everyone enjoys Wallace's challenging style, however. Like Phyllis Nagy, another daring American woman writer, she finds her work is more accepted in Britain than in the US – "British theatre is braver," she says.

This is not to say she does not have her critics in the UK – there are those who find her elliptical style intensely irritating. She insists that she feels it is her duty to try and get inside other people's experience – whether it be that of a 17th century English sailor, or a contemporary black American woman, as in *Slaughter City*.

She is bracing herself for criticism about this latest venture: "Some people don't believe you should write out of your own experience. If you're white, you write white; if you're black, you write black. But to me, that means that as a white writer you are perpetuating the dominance of white roles. Anyway, that's what's exciting about theatre. It's about imagination; it's about writing about something other than yourself. How boring it would be just to write about yourself."

Slaughter City is currently previewing and opens at The Pit, Barbican, London EC2 on January 25 (0171-638 8891).

Theatre/**Alastair Macaulay**

Delicious wit seriously delivered

London society – which behaved so disgracefully in response to the scandal of Oscar Wilde's homosexuality 101 years ago – keeps being given chances to make amends. The most recent chance occurred on Wednesday night – when the Haymarket Theatre premiere of the revival of Peter Hall's 1992 staging of *An Ideal Husband* closed with a curtain speech by the actor Michael Denison, informing us that Wilde's grandson, Merlin Holland, was present in the audience.

An Ideal Husband is surely one of the two greatest British plays of the 19th century. (The other – *The Importance of Being Earnest* – had its premiere only six weeks later.) And, more entirely than any other work of Wilde's – save perhaps *The Portrait of Dorian Gray* – it captures the contradictory essence of its author. It has wit of the most deliciously absurd kind, it is morally and ethically very serious, it is profoundly sentimental, and it contains several gestures of sheer melodrama.

Peter Hall's staging is largely as before, full of flaws and far superior to almost every other Wildean production of recent years. Penny Downie is new to the tricky role of the serious and virtuous and idealistic Lady Chiltern. She plays it with impressive force and the right dash of frigidity, although she is too self-consciously correct. Charm only emerges halfway through the final act, as Lady Chiltern drops her ardent severity; we cannot believe that the languid but wise dandy Lord Goring and she would have been friends long before the play began. But the perfection she demands of her husband and herself tightens the screws of the play very finely.

The most beautiful performance is, as before, that of David Yelland as Sir Robert, her husband: austere, noble, and anguished. He discloses disquieting flashes of this husband's misogyny, he dares to speak some of the character's witty lines as if he meant them seriously (rare feat in Wilde), and he makes the troubled heart beneath the grave veneer most touching. It is a great pity that he and Downie end the play as if their new words of love were untruths.

Anna Carteret has only improved her fine performance as the witty schemer Mrs Cheveley: she is at least as elegant and sensual as before, and considerably more dangerous. I am only sorry that she has the same trouble with her sibilants as Lady Thatcher has developed, and that she rolls her Rs artfully at the one point when Mrs Cheveley should be beside herself with artless rage. Victoria Hasted makes an amusing impression as Miss Mabel Chiltern, but her Daisy-pulls-it-off manners, her adenoidal eagerness, and her lower-middle-class vowels are still all wrong. The harmless and hilarious old Lady Markby is the sort of act Dulcie Gray does best; Kate Gielgud and Claire Nordon do well by Lady Basildon and Mrs Marchmont.

Nothing can seriously blot this production or this play. Just as well, since Martin Shaw as Lord Goring and Peter Gordon as his butler both compete laboriously with Michael Denison as Lord Caversham for the West End's Worst Acting prize. Unfortunately, it is to be predicted that Shaw's interpretation, playing down to the lines rather than up to the character, will be acclaimed as fine acting in some circles. Fortunately, it is also to be predicted that the play will once again be acclaimed too.

In its virtuoso vacillation between the epigrammatically flippant and the morally ardent – both sides most vividly conveyed in the character of Lord Goring – *An Ideal Husband* expresses a brilliant paradox that was the core of Wilde himself. Nobody could miss this paradox, whether in 1895 or 1996.

At the Theatre Royal, Haymarket.

Cabaret/**Antony Thorncroft**

Barbara Cook swings through the century

Barbara Cook is back in town – information that will leave the masses unmoved and a small coterie of true believers excitedly planning a trip to the Green Room at the Café Royal over the next three weeks. For Ms Cook is a cult figure among the fervent fans, not exclusively gay, of the Great American Musical.

Her record is impeccable – lead roles in the first productions of *Candide*, *The Music Man* and *She Loves Me*, had her name in Broadway lights while Andrew Lloyd Webber was still practicising scales. Now pushing 70, Barbara Cook retains the glamour of the *ingénue* for the committed.

She certainly fills the tiny Green Room stage, a monumental figure in sequinned coral chiffon. But anyone resigned to hearing breathless stories of "dear Cole" and "wonderful Lennie" was quickly relieved. Ms Cook is a very straight performer, entertaining with her voice rather than her chat, or even her personality.

To show her class she has prepared a new show with many contemporary songs. Perhaps she could have dipped more frequently into the song books of the giants, but there is a generous medley from Gershwin's *Porgy and Bess* (with a rivetting "Woman is a sometime thing") and snatches of Arlen and Rodgers and Hammerstein.

The modern songs are remarkably different to the 1930s classics – they are personal while the standards are universal. You admire them rather than live them, but they are delivered to perfection by Ms Cook who still retains full control over her voice, a light soprano of comfortable range, and with every word and note beautifully rounded. She also has a sense of humour, with a penchant for the comic numbers of her youth, like "Ice Cream" from *She Loves Me*.

Perhaps she is happier now on the slower songs – there is a daunting performance from the bar stool of that cabaret standard, "When Sonny gets Blue" – but she swings happily through "Surrey with the fringe on top," helped along by her long-time musical director Wally Harper on discreet piano, plus a bass-man. They sit out the encore, an emotive "We'll be together again", sung without mike and with plenty of feeling.

Barbara Cook in performance is much less theatrical than her reputation, or her fans. She is an honest-to-goodness performer, not living on her legend but delivering what she knows best – the 20th century popular song, from then till now.

Theatre/**David Murray**

Fugard's Gordian knot

The knot King Gordius tied was so intricate as to defeat every challenger's efforts to undo it, until Alexander rudely sliced it through with his sword. I never thought much of Alexander's solution. Athol Fugard's *Blood Knot* – first performed in Johannesburg, 1961, soon a theatrical flagship for the multiracial cause (though Tynan trashed it at Hampstead), now revived at the Gate by the Strange Fish company – is more complicated than it seems. It would be crudely Alexandrian to write it down as a worthy, period-bound anti-racist play.

Baldly described, the action seems simple enough. Two brothers classified under South African law as "coloured", *i.e.* of mixed race, live together in the quarter of Port Elizabeth reserved for "coloureds". Only the "dark-skinned" Zach, however, works and earns (miserably little). Light-skinned Morris, who returned a year ago from a long, obscure stay somewhere far off, merely keeps house, prepares Zach's foot-bath, makes their evening meal and "takes care of their savings", with a view to buying a two-man farm in some no-man's-land.

The optimistic idyll goes off the rails when Zach suddenly realises that his regular, happy bouts of drinking and womanising ended when Morrie came back. Morrie suggests that Zach should reply to a lady who asks in a local paper for pen-pals; but since Zach is illiterate, Morrie has to conduct the correspondence. We know from the cast-list that no "Ethel" is due, so we might guess that Morrie himself is writing "her" letters – but Fugard produces a cleverer *dénouement*, much more pointful and searching.

There is a subtext lurking throughout, and it turns the whole play into a modernist piece: not an ethnically picturesque tale at all, but a wry, self-conscious self-study. From the start, we worry about these "brothers": why is Zacharias (Wilbert Johnston) so unambiguously mahogany, and Morrie (Chris Lailey) irredeemably white-skinned and blue-eyed? (It is not just an accident of casting, for Fugard himself – who is white – chose to play the original Morrie in Johannesburg.) Why do their childhood memories signally fail to match? and where on earth has Morrie *been*, all this time?

Alternative scenario, with strong hints in the play itself: – Morrie is no real "brother", but a white liberal South African who wants to throw his lot in with the downtrodden blacks. (There is also a homoerotic note: not only has Morrie dampened Zach's womanising, but he gets a private soliloquy about the solid allure of black flesh.) The "blood knot" is not literally fraternal but idealised, as deriving from their common humanity. Only when pen-pal "Ethel" proves to be white, *and* promises Zach an early visit, do things come apart.

He knows that he could never carry off meeting her; but light-skinned Morrie could, and so loyal Zach blows their savings on dressing him for the occasion. Their casual role-playing games, which have studded the action all along, take on a new, nasty tone as they play out dark-skinned loser against inevitable white winner, with threatening overtones. One begins to see how much this play is about: not just *p.c.* slogans, but deep distress and love. For a two-hander, two-and-a-half hours is rather long; but it resonates for much longer.

At the Gate Theatre, Notting Hill, until January 27.

INTERNATIONAL ARTS GUIDE

BARCELONA

CONCERT
Palau de la Música Catalana
Tel: 34-3-2681000
● Eugene Istomin: the pianist performs works by Mozart, Beethoven, Debussy and Chopin; 9pm; Jan 22

FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Freiburger Barockorchester: with conductor Gottfried von der Goltz and cellist Guido Larisch perform works by C.P.E. Bach, Monn and Mozart; 8pm; Jan 21

HELSINKI

OPERA & OPERETTA
Opera House Tel: 358-0-403021
● Die Fledermaus: by J. Strauss. Conducted by Ari Angervo and performed by the Finnish National Opera. Soloists include Jukka Salminen, Ritva-Liisa Korhonen, Pekka Kähkönen and Eeva-Liisa Saarinen; 7pm; Jan 20

LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● Rameau-Trio: and violinist D. Vogel perform works by Couperin, J.S. Bach and Rameau; 6pm; Jan 21
OPERA & OPERETTA
Oper Leipzig Tel: 49-341-1261261
● Carmen: by Bizet. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhaus-orchester. Soloists include Cornelia Helfricht, Zsuzsanna Bazsinka, Ernesto Grisales, Tomas Möwes and Martin Petzold; 3pm; Jan 21

LONDON

AUCTION
Sothebys; Parke Bernet & Co.
Tel: 44-171-4938080
● The Cody Archive: sale of the archive of Samuel Franklin Cody, the first man to build and fly an aeroplane in Britain almost 90 years ago. Cody began his career as a cowboy, buffalo hunter and circus sharp-shooter who set up his own Wild West show, touring Britain and continental Europe. Highlights of the sale include two massive Michelin bronze trophies for British aeronauts presented to Cody in 1910 and 1911, original engines used to power Cody's aircraft, hundreds of hand-drawn aircraft and kite designs; 10.30am; Jan 24
CONCERT
St Giles Cripplegate
Tel: 44-171-6388891
● BBC Singers: with conductor Stephen Cleobury and organist Christopher Hughes perform works by Ives; 3pm; Jan 21
Wigmore Hall Tel: 44-171-9352141
● The King's Consort: with director Robert King, soprano Deborah York, countertenor James Bowman and trumpeter Crispian Steele-Perkins perform works by A. Scarlatti, Hasse and D. Scarlatti; 7.30pm; Jan 22

MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098506
● Münchner Rundfunkorchester: with conductor Rico Saccani perform excerpts from Giordano's "Andrea Chénier" and Ponchielli's "La Gioconda". Soloists include soprano Sharon Sweet, mezzo-soprano Bruna Baglioni, tenor Kristjan Johannsson and baritone Silvano Carroli; 8pm; Jan 21
DANCE
Nationaltheater
Tel: 49-89-21851920
● Swan Lake: a choreography by Ray Barra after Petipa/Iwanov to music by Tchaikovsky, performed by the Bayerisches Staatsballett. Soloists include Natalja Trokaj and Kirill Melnikov (Jan 20), and Evelyn Hart and Lindsay Fischer (Jan 24); 7.30pm; Jan 20, 24

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Stuart Neill: recital by the tenor. The programme includes works by Beethoven, Liszt, Strauss, Rossini, Donizetti and others; 8pm; Jan 21
The Walter Reade Theater
Tel: 1-212-875-5600
● Kurt Ollmann: accompanied by pianist Donald St Pierre. The baritone performs works by W.A. and F.X. Mozart, Brahms, Chanler and Roussel, and Spanish folk songs by Obradors, De la Torre, Nin and Falla; 7.30pm; Jan 22
EXHIBITION
MOMA - Museum of Modern Art
Tel: 1-212-708-9400
● Roy DeCarava: a Retrospective: this exhibition surveys the work of the American photographer Roy DeCarava through some 200 black-and-white photographs made from the late 1940s through to mid-1990s. The display includes photographs from everday life in Harlem, the civil rights protests of the early 1960s and studies of nature, as well as a selection of jazz photographs; from Jan 25 to May 7

PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Thierry Felix: accompanied by pianist Charles Spencer. The bass-baritone performs songs by Schubert and Debussy; 8.30pm; Jan 22
Salle Pleyel Tel: 33-1 45 61 53 00
● Les Pêcheurs de Perles: by Bizet. Concert performance by the Orchestre National d'Ile-de-France with conductor Jacques Mercier, the Ensemble Favart, the Choeur de l'Opéra Comique and the Choeur du Conservatoire du XVIIIème. Soloists include soprano Guylaine Raphanel, tenor Léonard Pezzino, baritone Alain Vernhes and bass Jacques Schwarz; 8.30pm; Jan 20
DANCE
Théâtre des Champs-Elysées
Tel: 33-1 49 52 50 50
● Les Karamazov: a choreography by Boris Eifman, performed by the St Petersburg Ballet. Soloists include Andrei Gordeev, Igor Markov, Albert Galitchanine and Yuri Ananian; 8.30pm; Jan 22, 23, 27

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Wiener Symphoniker: with conductor Wolfgang Sawallisch and violinist Christian Altenburger perform Dukas' "L'Apprenti Sorcier", Stravinsky's "Violin Concerto" and Beethoven's "Symphony No.5"; 11am; Jan 21
OPERA & OPERETTA
Burgtheater Tel: 43-1-514442960
● Die Dreigroschenoper: by Weill/Brecht. Conducted by Peter Keuschnig and directed by Paulus Manker. The cast includes Trude Ackerman, Helma Gautier, Maria Happel and Eva Herzig, the costumes are designed by Vivienne Westwood; 7pm; Jan 22, 24
Wiener Staatsoper
Tel: 43-1-514442960
● Lohengrin: by Wagner. Conducted by Horst Stein and performed by the Wiener Staatsoper. Soloists include Julia Faulkner, Uta Priew, Kurt Rydl and Gösta Winbergh; 6.30pm; Jan 20, 24 (6pm)
● Un Ballo in Maschera: by Verdi. Conducted by Stefan Soltesz and performed by the Wiener Staatsoper. Soloists include Mara Zampieri, Anna Gonda, Franco Farina and Renato Bruson; 6pm; Jan 21, 25 (7pm)

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● Richard Goode: the pianist performs works by J.S. Bach, Mozart, Brahms and Chopin; 3pm; Jan 21
POP-MUSIC
Lisner Auditorium
Tel: 1-202-994-6800
● 11th Annual World Folk Music Benefit Concert: featuring Oscar Brand, Dee Carstensen, Chesapeake, Catie Curtis, Bill Danoff, Eddie From Ohio, Foremen, Highwaymen, Pete & Maura Kennedy, Schooner Fare, and Side by Side; 6.30pm; Jan 20

ZURICH

CONCERT
Opernhaus Zürich
Tel: 41-1-268 6666
● Frederica von Stade: accompanied by pianist Martin Katz. The mezzo-soprano performs works by A. Scarlatti, Granados, Ravel, Copland, Ives, Bolcom, Ginastera and Offenbach; 8.30pm; Jan 22
Tonhalle Tel: 41-1-2063434
● Camerata Academica Salzburg: with conductor Sándor Végh and violinist Alexander Janiczek perform the overture to Mozart's "La Finta Giardiniera", his "Violin Concerto" and "Symphony No.29"; 7.30pm; Jan 21
OPERA & OPERETTA
Opernhaus Zürich
Tel: 41-1-268 6666
● Der Rosenkavalier: by R. Strauss. Conducted by Franz Welser-Möst and performed by the Oper Zürich. Soloists include Gabriele Lechner, Alfred Muff and Cornelia Kallisch; 6pm; Jan 21

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Philip Stephens

Political punch-up

Both main parties are treading gingerly on the issue of sport on television to avoid a confrontation with Rupert Murdoch

As things stand, sport will soon vanish from most of the television screens in British sitting rooms. A handful of prestige events such as soccer's FA cup final and the Wimbledon tennis championships may, or may not, escape this fate. But to follow the fortunes of a favourite soccer or cricket team or to watch regularly the best golfers, athletes and tennis players, fans will be obliged to pay a fee to Rupert Murdoch's British Sky Broadcasting television network. Needless to say, Mr Murdoch will not underprice his product.

The nation's politicians are transfixed. Sport on television is one of those issues where the demands of public policy collide at a nasty angle with those of raw politics. As one minister puts it, Mr Murdoch offers the government and opposition alike two, equally unpalatable, choices.

They can do nothing to loosen his tightening grip, and thereby risk alienating millions of armchair sports fans. Or they can take on Mr Murdoch, legislate to break his looming monopoly – and risk the wrath of Britain's most powerful newspaper group during the forthcoming general election campaign. Remember that headline in Mr Murdoch's best-selling tabloid after the 1992 election declaring "It's the Sun wot won it"? John Major does. Tony Blair is haunted by it.

Mr Major, we are told, has not made his choice. Instead he has established a committee of his most senior ministers to agonise on his behalf. There is similar torment in the Blair camp. True, Labour has been a touch bolder in seeking to strengthen the present, flimsy, legal safeguards against Mr Murdoch acquiring exclusive television rights to a list of the aforementioned prestige events.

But Mr Blair is treading carefully. His promised amendment to the broadcasting bill now before parliament would do nothing to prevent BSkyB from exploiting more ruthlessly its hold over every other significant sporting occasion. As an aide was overheard remarking, Mr Blair wants the votes of the fans, but not to cause "needless offence" to Mr Murdoch.

Return for a moment to the story so far. Since its creation from the merger of the old Sky network and its failed rival, BSB, BSkyB has used sport as the driving force to sell subscriptions to its satellite network. Sky Sport has spent hundreds of millions of pounds buying exclusive broadcast rights to most top-class soccer, cricket, golf, and rugby tournaments. In the case of rugby league it has bought the whole game.

With deeper pockets than its terrestrial competitors – the public service BBC and the commercial ITV companies – the satellite company has encountered minimal resistance. Thus live Premier League soccer is now beamed only to the 20 per cent of households which pay to receive Sky Sports via a satellite dish or a cable link.

Mr Murdoch has been shrewd in judging just how far and how fast to go in exploiting his financial muscle. For the most sensitive events, he has chosen to strike deals with the BBC and the ITV companies to sell on some rights. The BBC, for example, gets recorded highlights of Premier League soccer and live radio rights for England's overseas cricket matches.

> Interests of the self-perpetuating oligarchies which dominate national sport must be set against the wider interests of all consumers

Sky Sports has also held back from seeking monopoly coverage of eight events deemed in the 1990 Broadcasting Act to have a special place in the nation's heritage. These include the Grand National steeplechase and the Olympics as well as the FA cup and Wimbledon finals.

The Act prohibits the televising of these on the "pay-per-view" basis, where viewers pay a fee for each programme. But Mr Murdoch is perfectly entitled to buy them for Sky Sports for as long as it remains a monthly subscription channel. No one doubts he will do so as soon as he judges the political climate to be right. Witness his £1.2bn bid for European broadcasting rights to the Olympics.

Opinions about Mr Murdoch tend to polarise. Free market zealots applaud him for his entrepreneurial skills, tenacity and sheer guts. Good luck to him, they say. BSkyB, in which his News Corporation holds the dominant 40 per cent stake, nearly went bust not so long ago, threatening to bring down Mr Murdoch's entire international empire. But he kept his nerve. No-one should begrudge him a just return on his investment.

Ranged against these disciples of the market are the sports sentimentalists who believe that, at its highest level, competitive sport is properly the property of the nation. To deny universal access to the performances of the English or Scottish soccer teams or to test matches at Lords would somehow be to rob people of their rights of citizenship. I count myself in neither camp.

The governing bodies of the main sports take Mr Murdoch's side. They were long exploited by the old BBC-ITV duopoly. Sky Sports has greatly increased the total number of television hours devoted to sport. It has far fewer viewers that the terrestrial stations, but the fans can watch their favourite teams for much longer. Satellite television has also financed an improvement in the dismal condition of the nation's stadia, not to say the six-figure salaries which are now widespread in sport.

So it is hardly surprising that the leading lights of the Football League, the Test and County Cricket Board and the Rugby Union turned out in force at Mr Murdoch's command this week to insist they retain a right to sell their product to the highest bidder.

But rights cannot be so narrowly defined. The interests of the self-perpetuating oligarchies which dominate national sport must be set against the wider interests of all consumers. Be in no doubt, Mr Murdoch is building a monopoly. He is not interested in competing in the marketplace but in rigging it. If his predatory purchasing succeeds in driving the BBC and ITV out of sport, he will be able to name his own price for subscriptions to Sky Sports.

To brake his ambitions, the politicians must, at a very minimum, back two amendments to the broadcasting bill. The first would strengthen the protection afforded to the listed occasions by guaranteeing the access of terrestrial television. The second, more importantly, would require any broadcaster securing exclusive live cover of a particular event to sell on subsidiary rights, such as recorded highlights, to at least one of its competitors.

Mr Murdoch of course would be cross. So too would be the placemen who control British sport. But they would still make lots of money. As for Mr Major and Mr Blair, they should be made to ask themselves an awkward question. How healthy is democracy when they weigh so carefully the interests of one businessman against that of the many millions of voters who put them in office?

·LETTERS TO THE EDITOR·

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Not popular with German population

From Mr Günter Habermann.

Sir, It is not surprising that no senior German politician is joining the meeting in Brussels to promote Emu ("Germans snub single currency conference", January 16). It is not very popular to promote things ordinary Germans don't want. Why take silver when you will lose your gold?

When German finance minister Mr Theo Waigel announced that Germany did not meet the Maastricht criteria in 1995 a few days ago ("Germany 'failed Maastricht test'", January 10), it came to my mind that Germany could (deliberately) fail to meet the criteria in the future. As Mr Waigel will not allow the criteria to be changed, he might be bold or clever enough to let the Euro start without Germany. Luxembourg is a good starter for Emu as it has a long experience in sharing a currency with Belgium.

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True picture of populations

From Mr Rupert Blum.

Sir, As usual, Joe Rogaly's article is interesting but, like most writers on demography, he treats the number of children born as indicators of future population trends ("The White Tribe's sunset", January 13/14).

This is unsound. What matters is the number of surviving female children. Accordingly, population growth in countries with a tradition of female infanticide (or equivalent abortion), like China, will be slower than in societies without such a tradition.

Are there any statistics available which take account of this?

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Threat to UK defence tendering

From Mr Alan Mawer.

Sir, Your article "Land Rover set for Army order" (January 16) misses an essential point. The ambulance contract was put out to competitive tender. Manufacturers – European and British – were invited to compete.

The rigours of Ministry of Defence trials are not cheap. Steyr Daimler Puch will have spent upwards of £3m during the three-year project. That the Steyr vehicle won and was the recommendation from the Ministry of Defence seems now in little doubt.

As a result of the intensive lobbying campaign, the defence minister will choose Land Rover, conveniently ignoring the results of a competition designed and very efficiently managed by his procurement departments. These competitions, according to a statement made by Mr James Arbuthnot, minister of state for defence procurement (Hansard, October 17 1995), have been the key to reducing the cost of procurement and improving the competitiveness of the UK defence industry and have concentrated resources on enhancing the capabilities of our frontline troops.

That competition is the only way to find the equipment which is the most operationally efficient and best value for money is in no doubt. To ignore the results of such competition will deprive the frontline troops of the best equipment available and ensure that the taxpayer does not receive the optimum value for money.

More importantly, blatantly to ignore a recommendation from the procurement department in favour of a "Buy British" campaign will ensure that few, if any, companies will ever again risk the UK competitive tender system.

Not only will the frontline soldier be deprived of the best available equipment, but once again the Ministry of Defence and taxpayer will be at the mercy of a British defence industry deprived of competition.

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Turning point for Italy should be credited to Dini

From Mr Francesco Giavazzi and Mr Carlo Favero.

Sir, Lex on Italy (January 15) fails to distinguish between the Dini and the Berlusconi governments, and thus does not do justice to the former. When Mr Dini took over in February 1995 the spread between Italian and German 10-year bonds had risen to 650 basis points – from 250 at the beginning of the Berlusconi government: it is now back to 450.

Over the same period the differential between 10-year BTPs [government bonds] and the fixed interest rate on 10-year swaps – a good measure of issuer risk – fell from 150 basis points to below 30. The lira strengthened vis-a-vis the D-Mark from 1100/1200 during the spring to below 1060. The Dini budget for 1996, approved by parliament before the resignation of the government, reduces the public sector borrowing requirement from 7.4 per cent of gross domestic product in 1995 to 5.8, with a surplus net of interest that rises from 3.4 to 4.3 per cent of GDP.

For the first time in 20 years the debt-to-GDP ratio at the end of 1996 will be below its level at the start of the year. Admittedly, pension reform has been weaker than necessary, and further adjustment will be needed. But, in sharp contrast to France, a significant correction of Italy's social security system has taken place with the agreement of the unions and thus without jeopardising the wage pact – a crucial factor to make sure that the rise in the consumer price index will not translate into permanently higher inflation.

After a complete stall during the Berlusconi government, 1995 has also seen some action on privatisations: the much criticised flotation of ENI has yielded to shareholders a return of 7 per cent over two months. The Dini government also obtained parliamentary approval for the bill that allows it to set up the regulatory authority for electricity – so far the stumbling block for the privatisation of ENEL. A reduction of Italy's "debt mountain" will require a generation, but 1995 – as were 1992-93 – should be accounted for as a turning point in Italy's fiscal troubles.

Francesco Giavazzi,
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Sociological view of art

From Mrs M.A. Osborne.

Sir, I have not yet been able to see the latest Tate exhibition, "Picturing Blackness". However, William Packer's article "A black mark for the Tate" (January 13) has certainly given me an incentive to make the effort to judge for myself whether this is indeed an ignorant exercise in pseudo social history.

Mr Packer seems to imply that there is no validity in examining paintings from a sociological point of view. However, if it is valid to examine the works of writers such as Austen, Dickens and Shakespeare for sociological insights why should not paintings be subject to the same treatment?

Very often those who make carping comments about political correctness fail to recognise the underlying reasons which have given rise to the phrase: that black people, like women and disabled people (to name but three groups) have long been treated in ways which insidiously reinforce their subservient status in society.

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Europa · Dominique Moïsi

The ghost of a relationship

The Franco-German alliance needs to recover its dynamism if the EU is to get back on track

Simón Bolívar, the 19th-century leader who fought to free South America from Spanish rule, once likened the task of unifying that continent to "ploughing the sea". It would be an exaggeration to say that François Mitterrand, the former French president, felt the same way at the time of his death about the unification of Europe. But he was certainly disillusioned with the direction in which the European Union is moving.

His disenchantment was more than justified: the EU is in crisis. Its central message – that economic and monetary union must be the next indispensable step in the unification process – is wrong. The messengers conveying it are weak. And Europe's principal engine, the Franco-German relationship, is showing signs of strain and exhaustion.

Emu may be economically desirable and technically feasible. Politically, however, it is proving to be disastrous and it is highly unlikely that the concept can be sold to the European public.

The problem is not the timetable – why should 2002 be any easier than 1999? It is not even the convergence criteria, although the insistence that countries must meet them to qualify for monetary union should be dropped.

It is that the entire European project has come to hinge solely on the implementation of a technical reform – monetary union – which the broad mass of Europeans find, at best, irrelevant and, at worst, unacceptable. This is chiefly because they can see no social benefits that would result from it.

Other important issues – unemployment, institutional reform, foreign and security policy – are as pressing as ever. So why should Europe focus to the exclusion of all else on a monetary union that will make the process of forging stronger bonds between

The smiles of Jacques Chirac, French president (left), and Kohl conceal a strained Franco-German relationship *Picture: AP*

existing EU members more problematical and which, furthermore, offers no answer to the problem of achieving enlargement? Seen from Warsaw, Budapest or even Prague, monetary union is clearly not a top priority.

The negative message is reinforced by the personalities of the messengers. When Jacques Santer replaced Jacques Delors as president of the European Commission, many thought that a pragmatic, low-key, relatively uncharismatic figure was precisely what Europe needed.

With the benefit of a year's hindsight, and as one low-key presidency – Spain – is replaced by a potentially chaotic one – Italy – more and more people are regretting that there is no strong and inspired leader at the head of the Commission.

Under such circumstances, a close, dynamic Franco-German relationship is needed as a defence of last resort against mounting hostility towards the EU. Unfortunately, this is not what we have got.

In spite of reassuring official statements and goodwill on both sides, the Franco-German relationship is no longer what it used to be – for several reasons.

For one thing, the ghost of François Mitterrand still hangs heavily over it. Granted, the stability of such an alliance depends much more on strategic concerns than on the personal chemistry between political leaders. But personalities do matter.

Seen from Bonn, the new French team does not give the impression of sharing the same interest and dedication in pursuing the Franco-German relationship, or the cause of Europe at large, as some of its predecessors.

Seen from Paris – and many other European capitals – Chancellor Helmut Kohl's forcefulness when addressing European issues can all too easily be seen as pushiness, and resented.

In fact, the two countries are palpably growing further apart in a process driven by frustration, disenchantment and their relative loss of interest in each other. The antipathy sparked by last year's resumption of French nuclear testing did not create this situation; it merely served to underline it.

The root cause of this cooling of relations between the two countries may be the unification of Germany and the shift in the balance of power in Europe that has followed in its wake. France, afflicted with self-doubt, has become increasingly unsure of how to deal with this new Germany. The social crisis in France at the end of last year can only have reinforced this state of mind.

Even François Mitterrand – the "great European" whose legacy in this area has been legitimately praised – contributed to the cooling of relations by failing to grasp Europe's changed priorities in a post-cold war world.

In sum, the present divergence between the two nations was not, for the most part, a consequence of the fact that Germany was looking east while France was looking south. It is driven much more by the present tendency of both countries to look after their own interests first. This has left their European rhetoric sounding increasingly hollow and irrelevant.

It is highly symbolic that the number of French students learning German has remained low, while the number of Germans learning French is on the decline. And yet it is still possible for Franco-German ventures to be successful, as shown by Arte, the high-quality Franco-German television channel.

If the development of the EU is to be put back on track before it is too late, it is essential that the lost dynamism of the Franco-German relationship should be restored.

Some think the UK has an important role to play, arguing that it could act as a catalyst to bring France and Germany closer together. It would be a mistake to rely mainly on Britain to effect such a *rapprochement*, however. A third party may have sufficient influence to strengthen an already thriving alliance still further. But it would be asking too much to expect it to inject new life into a faltering relationship.

The author is deputy director of Paris-based Institut Français des Relations Internationales. He writes here in a personal capacity

FINANCIAL TIMES

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Papandreou's daunting legacy

The belated and undignified departure of Mr Andreas Papandreou from the Greek political stage, after clinging to power in spite of chronic ill health, should at last bring an opportunity to tackle long-overdue reforms. The Greek political system, its economy and the bloated state bureaucracy, all require radical surgery.

Its foreign relations, whether with its partners in the European Union, its neighbours in the Balkans, or most important, its ancient adversary, Turkey, are in need of urgent improvement. The task for Mr Costas Simitis, Mr Papandreou's successor, is daunting.

The retiring prime minister had an unenviable reputation in the outside world as a tiresome politician. Yet his legacy in Greece is not entirely negative. He presided over a modernisation of Greek society, and a liberalisation of its laws, including the introduction of civil marriages, women's rights and a greater awareness of the need to protect the environment.

But he left a system of political cronyism, along with malpractice in hiring, tendering and procurement in the state sector, which seriously undermine good government.

In certain elementary ways, the Greek economy is more rationally organised than it was 15 years ago, when Mr Papandreou came to power. A vigorous money market has replaced crudely administered interest rates, curbs on capital flows have been lifted, and the stock exchange has revived from quiescence.

In recent months, Greece has won mild praise from the European Commission for its efforts to restore a minimum of health to the economy, and repair the damage of previous years, largely caused by Mr Papandreou's first government.

Soaring deficit

That administration was responsible for the enforced nationalisation of many Greek industrial companies, for maintaining index-linked wage and pension rises in the face of a soaring public deficit, and for the consequent accumulation of a huge national debt. It failed to crack down on chronic tax evasion. And it introduced a system of political party appointees throughout the public service, from mainline ministry posts, to humble jobs in hospitals and post offices.

When he came to power in 1981, Mr Papandreou was guilty of cultivating the illusion that Greece could ignore western Europe, and fashion its own model of socialism. He also skilfully rode the wave of anti-western fury that swept the country after the collapse of the pro-American military junta.

Flow of subsidies

Latterly he played his own grudging part in toning down that mood, by demonstrating in practice that neither rabid anti-Americanism, nor flirting with radical Arab regimes, provided any realistic basis for a foreign policy. Having obstructed Greek membership of the European Community when he was in opposition, he used the generous flow of subsidies from Brussels to blunt anti-European sentiment and ensure his own re-election.

Yet in the declining years of his rule, he again exploited Balkan nationalism in whipping up hostility towards the fragile democracy in neighbouring Macedonia, and imposing a trade embargo. That action ran counter to the positive role in the region which Greece should play as a stabilising force in the Balkans, promoting cross-border trade and prosperity.

Mr Simitis has rightly put economic reform and reform of the inefficient bureaucracy at the top of his agenda. At least 50,000 jobs, or one in ten, need to be pruned from the public service. He admits that the civil service is "incapable of putting policy into practice". It will require political courage to carry out those reforms against the opposition of many Papandreou loyalists in his party.

For its part, the European Union must help. That does not involve giving cash hand-outs without ensuring that the money is well spent. Instead, it means setting strict conditionality on the substantial budget transfers Greece gets from Brussels, to back the new prime minister in his tough task.

Another nudge to UK rates

Yesterday's quarter-point cut in interest rates surprised most observers, but did not fundamentally change the short-run outlook for UK economic policy. The domestic economic data published since last month's quarter-point reduction underline the absence of price or demand pressures. Thus, the second easing of the present cycle can be defended on broadly the same grounds as the first.

For some, the fact that there has not been any striking economic news since the last rate reduction merely demonstrates that the move was politically motivated. With the government facing a shrinking parliamentary majority and renewed mutterings about a leadership challenge to Mr John Major, the prime minister, chancellor Mr Kenneth Clarke is under pressure to err on the side of incaution.

Equally, investors are looking for any evidence that he is trying to inflate the government out of trouble. The fact that the chancellor opted for two small reductions in consecutive months shows that he has no compunction about cutting interest rates as soon, and as often, as economic conditions will allow. Equally, the refusal of the governor of the Bank of England, Mr Eddie George, to comment on the cut leaves some suspecting yet another disagreement between the Treasury and the Bank over whether a reduction was needed so soon after the last.

Unworried investors

Yet the reaction in financial markets yesterday implies that investors were broadly unworried by such speculation. Sterling held its ground against other European currencies, while UK bond futures ended the day significantly higher.

On balance, investors' equanimity seems justified. We shall not know for another six weeks whether Mr George did in fact oppose yesterday's cut and it will be even longer before it will be possible to judge whether this second reduction was justified. For now, though, the weight of evidence favours Mr Clarke's decision.

On the domestic front, Wednesday's unexpectedly small drop in unemployment hints at a possible slowdown in employment growth, as companies seek to run down their excessive stock levels. The large adjustments to retail sales required during the Christmas period make it hard to draw strong conclusions from the latest, December data. But yesterday's figures showed little sign of a strong upturn from the sluggish performance of the preceding months.

Mr George might have disagreed with Mr Clarke at Wednesday's monthly monetary meeting on the grounds that another cut in rates would be taking unnecessary risks with the inflation target. The December inflation data were disappointing, showing that the retail price index (excluding mortgage interest payments) had grown by 3 per cent over the previous twelve months, up from 2.9 per cent in November.

Latent recovery

Some would also point to strong growth in real money demand as evidence of a latent recovery in domestic confidence that will soon filter through to final demand. But, with producer price pressures continuing to slow, and unexpectedly modest growth in average earnings in December, the risks to domestic inflation of a small monetary boost would appear to be slight.

Self-evidently, the strongest arguments for yesterday's move relate less to conditions at home than to growing worries about the downturn in continental European growth. As was true of Mr Clarke's UK move, the quarter-point reduction in French interest rates yesterday owed much to a growing belief that the depressed state of German demand means further interest rate cuts from the Bundesbank in the coming months are highly likely.

With what appears to be a competitive exchange rate, moderate tax reductions, and a half-point reduction in interest rates to support it, the UK economy may turn out to need less prompting out of its growth pause than the principal continental ones. Mr Clarke should not bank on being able to follow, still less anticipate, every future Bundesbank rate reduction. For the moment, though, what was right for Germany is also right for the UK.

At the centre of the City web

One powerful UK fund manager is poised to decide the outcome of Granada's hotly-contested takeover bid for Forte, says John Gapper

Two meetings this morning will probably decide the outcome of the most hotly-contested takeover bid in the City for several years. Sir Rocco Forte and Mr Gerry Robinson, chief executives of Forte and Granada, will separately come to court a woman whose company holds their fate in its hands. That woman is Ms Carol Galley, vice-chairman of Mercury Asset Management.

Ms Galley, who runs the UK institutional investment side of Mercury, has a pivotal influence in deciding whether to cast the vote of the 14.6 per cent of Forte that MAM holds for or against Granada's hostile bid. If MAM places its faith in Mr Robinson, as it did in 1994 during a battle for London Weekend Television, the independent broadcaster, Sir Rocco's grip will probably be prised from the company his father founded 60 years ago.

It is an awesome power, but one to which she is accustomed. As the biggest and most consistently successful manager of UK pension funds – with £60bn under management – MAM is used to deciding the fate of companies. Ms Galley has also had to live with the recriminations of suitors it rejects. Mr Greg Dyke of LWT, for example, complained publicly about the way she spurned him.

Along the way, Ms Galley has attracted a degree of fame and mystique, which has only been stimulated by her determination to discourage publicity. As one of a small number of women in senior positions in the City, she attracts what some think of as a disproportionate amount of attention. "The reason for all the questioning is she is a woman. I think it is unfair," says Mr Leonard Licht, a former senior executive at MAM.

Yet Ms Galley is unlikely to escape public scrutiny.MAM's policy is to pick companies that it believes are undervalued and invest in them heavily. That makes it prone to being the arbiter of bid battles. And Ms Galley is always at the heart of such contests. After 25 years at the company, she has come to embody MAM's values. Her fund managers look to her to "bring us back to basics", as one describes it.

Indeed, Ms Galley espouses such values with an almost moral fervour. She has been known to describe the wasting of equity capital as "a sin". MAM is relentless in trying to pick those companies whose managers will earn money for the trustees of pension funds. It can be ruthless in its treatment of those who fail. "Equity is a scarce commodity, and nobody should chuck it around," says one MAM fund manager.

Although courteous, Ms Galley is not shy about expressing such views with a great deal of force to executives with whom MAM is unhappy. She can be scathing in private about the egos of managers who behave as though they own their companies. In her view, it is not simply a matter of improving investment returns. She also believes that society is better off for having fund managers who stamp out corporate complacency.

Ms Galley, who is 47, has been thoroughly immersed in the ethos of MAM since joining in 1971. The daughter of a local government officer in Newcastle-upon-Tyne, she studied modern languages at Leicester University before deciding to seek a job in the City. It was a radical choice, since most of her female friends were opting for employment as teachers or doctors. But Ms Galley wanted to do something different.

She joined the investment department of S.G. Warburg, which became MAM, working in the library. She encountered the culture, established by Siegmund Warburg and Henry Grunfeld, of hard work, innovative ideas, and teamwork. Some argue that the culture lasted longer at MAM under Mr Licht and fund managers such as Mr Stephen Zimmerman, now a deputy chairman of MAM, than at Warburg, the merchant bank which was its parent until last year.

She was taken under the wing of Mr Licht when she displayed ambition and the confidence to suggest ideas. Since then, she has risen rapidly. She still embodies the values she found when she arrived, notably hard work and discipline. She arrives at 8.30am each morning, and works until 7pm. "She is extremely hard-working and dedicated to her clients. Nothing else clutters up her mind," says a colleague.

She was appointed a vice-chairman last June, and was paid an estimated £490,000 last year. Yet Ms Galley still works at a desk with seven other fund managers, using her office only for private meetings. She has strict standards, and does not tolerate laxity in staff any more than in companies, but her colleagues like her. "Most people like having Carol around. Things work well with her in charge," says one.

Ms Galley, who is married to German stockbroker, has turned the fact that she is a woman in a male world to her advantage. She is always immaculately presented, with a smattering of gold jewellery. Some colleagues says she is willing to exert female charm to get her way. "I would not go so far as to call it flirting, but there is an element of that," says one.

Rival fund managers say they admired Ms Galley's decisive quality, and willingness to stick her neck out in investing money. "She is a very neat manager. If she likes a share she backs it, and if she loses faith, she cuts it cleanly," says one competitor. "She was quick to spot a long time ago that MAM should make strong judgments about companies, and not attempt to be all things to everyone," says another.

Having proved her worth as a fund manager, Ms Galley's role now is to oversee the UK institutional department, and ensure its old virtues are preserved. That is harder as the value of "active" fund managers who place large bets on a few companies, rather than buying small shares in many, is questioned. They must constantly prove they can perform better than a fund which mirrors an index.

MAM's approach typifies this, with a tradition of spending many hours on intense research of companies before deciding they are undervalued by their present share price. It then buys a large stake and waits for its intuition to be proved correct. A typical case was Granada, which Ms Galley felt had a collection of assets the value of which could be released by a new management under Mr Robinson.

She was right about Granada, but has been wrong about some others. MAM has relatively few shares of regional electricity companies in its portfolio because it has taken the view that it does not like regulated industries. It has thus missed out on the escalation of such shares since privatisation in 1991. Yet in the main, MAM's intuitions have been more right than wrong, helping it to keep attracting funds.

One difficulty with the approach is that it puts MAM at the heart of takeover battles. "We look for assets that are under valued by the market. Of course, some companies will look for exactly the same thing," says one fund manager. Indeed, there may be a temptation for MAM to encourage takeovers precisely to release hidden value in its holdings. If that were so, it would start acting as a hidden corporate raider.

MAM fund managers say that acting this way would be counter to its principles of investing in shares that have long-term underlying value. "If Carol asked why I was holding a share, and I said it was because I expected a takeover, she would probably *tear me off a strip*," says one. Yet if takeovers occur, MAM has no scruples about taking advantage of the opportunity if it trusts the hostile bidder.

Some fund managers argue that this apparent impartiality creates a damaging uncertainty among companies, which does nothing to create shareholder wealth. They say managers should be able to concentrate on running a company without constantly having to fear that shareholders will sell out. "You cannot run a business properly if you are spending all your time looking over your shoulder," says one.

The most comfort MAM can offer to executives like Sir Rocco is that it takes seriously the responsibility of deciding on bids. It is sensitive to the notion that Ms Galley will simply back her own hunch. It has set up a five-person committee to examine both sides of the argument, and decide. Ms Galley is an influential member of this committee, rather than the sole judge.

Yet other fund managers say they wish they did not have to play such a role. "To be honest, any company being taken over is probably 0.3 per cent of my portfolio. My job in investing, not choosing between two managements," says one. Another says fund managers have to take decisions by default because the actual shareholders – pension funds – do not usually want to consider the issues themselves.

Such apathy places a heavy responsibility on Ms Galley. It is perhaps as well that by temperament as well as conviction, she is suited to dispensing financial justice. "Carol can be tough about dropping people whom she no longer believes in," says a colleague. Sir Rocco must be a persuasive suitor this morning. Otherwise, he could end up as wounded as others who have experienced the clean cut of Carol Galley.

· OBSERVER ·

Towering ambition

■ Last autumn, Chancellor Helmut Kohl lambasted young Germans for studying too long and living off the fortunes of their more enterprising parents. But he did rather lack a role model. Enter Lars Windhorst, a 19-year-old who runs a Hong Kong-based conglomerate with annual sales of DM250m.

Windhorst and Europe's oldest statesman now get on famously. The prodigy accompanied Kohl on his recent trip to Asia and sat next to him at the great cookbook launch. On Wednesday, Windhorst officially "came out" in Bonn, hosting a party for 600 or so worthies, the chancellor included. The function raised some DM300,000 for Kohl's wife's charity.

Windhorst started importing electronics parts from China aged 14, and left school two years later. But the really remarkable thing is that he has time to fritter away with Kohl. After all, he is supervising the construction of a 220-storey office block in Ho Chi Minh City. It's name? Yup, the Windhorst Tower.

Past masters

■ At last Crédit Lyonnais, the state-owned bank which managed to drag a FFr135bn financial restructuring through the French parliament last year, has found a way to capitalise on past misfortunes.

Having clambered back to modest profitability following three years of heavy losses, it is now out on the road selling its expertise on state-backed rescues.

In the next few days, some CL executives will be dropping in on Banco do Brasil, which has been suffering similar financial problems.

So will Crédit Lyonnais be charging for its expertise? The bank says not, stressing that it remains active in Brasil and is offering help rather in the spirit of co-operation than as a means to instant bucks.

Banco do Brasil does seem to be forking out for the airfares. But, given Crédit Lyonnais' success in pushing through its rescue in the face of fierce opposition, that modest outlay is probably cheap at the price.

Hume run

John Hume, that most decorated of politicians, has won yet another honour. The SDLP MP for Foyle, in Northern Ireland, has been voted person of the year by the Irish News.

Hume scored 679 votes in the poll. In second place, more than 100 votes behind was Bill Clinton, Northern Ireland's most famous recent visitor. Gerry Adams was well back in the field with 128 votes a short neck ahead of Pope John Paul and local poet and Nobel prize winner Seamus Heaney.

What of other Ulster luminaries such as Ian Paisley, Jim Molyneux and new Unionist leader, David Trimble? They did not even get to the starting post.

There again, the Irish News is known as the newspaper of the nationalist, Catholic community.

Switched off

■ Talk is cheap, which perhaps explains why Phil Donahue, 60, pioneer of the US daytime TV talk show, is bowing out after nearly 30 years' prime time. He will bring down the curtain at the end of this TV season after 6,000 shows. His producers blame a drop in ratings, loss of exposure in key cities and competition from the bevy of talk shows that have popped up in recent years.

In his heyday Donahue was the hottest talk show host around, mixing the serious and not-so serious. He started out in Dayton, Ohio, switched to Chicago in 1974, and ended up in New York 10 years ago.

This was probably his biggest mistake. As he moved closer and closer to the centre of the TV establishment, he lost touch with grassroots America, allowing competitors such as Chicago's Oprah Winfrey to move in. However, his downfall really came about because of his failure to follow sleazier competitors downmarket with shows about sexual escapades, violence and drug abuse.

French leave

■ Patrick Stevenson, 50, long the big wheel behind Paribas Capital Markets, has finally packed his bags. He was effectively moved aside last September, when he was suddenly accorded some suspiciously grand titles, notably chairman of Paribas Europe and senior adviser to Banque Paribas' executive committee.

Stevenson would undoubtedly be a big catch for the likes of Baring Securities. However, a two-sentence statement reveals that he is leaving to pursue other interests "with the full agreement of Banque Paribas".

So it sounds as if talk of Stevenson starting his own investment banking business is premature. More likely he has spent the past four months negotiating a hefty pay-off in return for signing a fairly stringent non-compete agreement.

Bottle law

■ A recent survey of US lawyers showed that 90 per cent of them were bottle-fed as children. Does this mean that only 10 per cent trusted their mothers?

The Financial Times

100 years ago

Kaiser William's message
The Message of Kaiser William on the occasion of the twenty-fifth anniversary of the Empire produced a favourable effect upon the markets in consequence of the strikingly pacific tone that pervades it. The contrast between this peaceful if magniloquent utterance and the belligerent message despatched the other day by the same potentate to President Kruger is indicative of more climbing-down on the part of His Imperial Majesty. No doubt he scarcely relishes the easy way in which France and Great Britain are settling their differences. Rather late in the day, the German Emperor is learning wisdom.

50 years ago

Buenos Aires explosion
A bomb exploded at the entrance of the Buenos Aires Stock Exchange yesterday, shattering windows and causing alarm, but there were no casualties. The police immediately cordoned off the area. The explosion occurred shortly after the ending of the three-day lock-out called by employers as a protest against the Government decree ordering higher wages and a bonus for workers. All businesses are now open and the city is quiet.

FINANCIAL TIMES
Friday January 19 1996

Tokyo pay bargaining talks begin with conflict

Japanese unions reject proposal for wage freeze

By William Dawkins in Tokyo

Japan's annual wage bargaining round got off to a heated start yesterday when union leaders rejected employers' proposals for a wage freeze.

Mr Jinnosuke Ashida, president of the Rengo trade union confederation, warned employers that a freeze would damage consumer confidence just as the economy was beginning to recover from the longest recession since the 1930s. He has recommended unions seek an average rise of 4.4 per cent.

Mr Jiro Nemoto, president of the Nikkeiren employers' association, said a freeze was justified because the labour market remained weak, despite the improved economic outlook. He said companies should invest profits in maintaining jobs rather than in wage increases.

Official figures show that unemployment rose by half a point to a record 3.4 per cent over the year to November. The number of jobs available for every 100 job seekers was unchanged at about 63 over the same period.

Mr Nemoto also pointed to the widening gap between Japanese and international labour costs. In dollar terms, Japan's unit labour costs were now nearly one-third higher than the US, according to the Bank of Japan. Six years ago they were equal.

Yesterday's open exchange was the first between the two sides since the Nikkeiren proposed a wage freeze last week. It marks the start of the spring wage round, or *shunto*.

Unions feel they merit want a reward for a year in which the gentle corporate earnings recovery from after a four-year decline is set to accelerate, with pre-tax profits already up by nearly a quarter in the six months to September.

The heads of at least two of Japan's largest companies do not support the proposed freeze. Mr Hiroshi Okuda, president of Toyota, Japan's largest car producer, and Mr Nobuhiko Kawamoto, president of Honda, have opposed it as a risk to the domestic economy.

But they are unlikely to support the Rengo's full demands. Employers last year gave the lowest basic wage rise on record, 2.8 per cent, after a heated argument along similar lines. On average, basic wages account for two-thirds of total pay, a low proportion by international standards.

Overtime and bonuses make up the rest, giving employers the flexibility to adjust total pay as the profits outlook changes in the months after the basic wage settlement.

That is why Japanese employees' total compensation is estimated by the Organisation for Economic Co-operation and Development have risen more slowly than wages last year.

Economists expect the final wage offers, in February and March, to be more widely spread between profitable and poorly performing companies than in recent years.

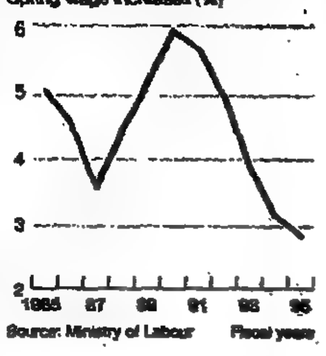
But the average pay rise is unlikely to be much larger than in 1995, said Mr Brian Pearce, chief economist at SBC Warburg Securities.

He said employers might prefer to retain profits for higher bonuses and overtime later in the year, in the hope the recovery will gather force.

This is the fourth year in a row in which the Nikkeiren has sought a pay freeze. In each of the previous three years, employers ended up agreeing a rise well over the rate of inflation.

Japan

Spring wage increases (%)



Source: Ministry of Labour Fiscal years

Hongkong Bank suffers $42m fraud at Indonesian branch

By Norma Cohen in London and Manuela Saragosa in Jakarta

The Hongkong and Shanghai Banking Corporation has discovered a $42m fraud at its main branch in Jakarta, it said yesterday.

The bank declined to give details of the fraud, which occurred in December.

But it is understood to involve the transfer of funds through an elaborate chain of Indonesian and overseas banks. Indonesian police are holding several suspects.

The bank said yesterday it had tightened security controls since the discovery of the fraud and was considering further changes.

It stressed that none of its employees had been dismissed in connection with the fraud and said $7.8m of the missing funds had so far been located.

The bank was seeking to recover the remaining funds and had notified its insurers – whose policies cover fraudulent acts by employees – of the fraud.

The funds were apparently transferred through a succession of banks after requests to disburse the cash were made via telegraphic orders over a period of three days in December.

Some of these orders were refused by Hongkong Bank in Jakarta, but others were complied with, and funds were subsequently deposited in two other Indonesian banks - Unibank and Modern Bank in Jakarta.

The orders were allegedly made by an Italian-based company which had opened accounts at overseas branches of Union Bank of Switzerland, Swiss Bank Corporation and Dresdner Bank.

Staff at one of the Indonesian banks were said to have become suspicious about what were described by police as "irregularities" over payments. They declined to hand over the cash and called the police.

The Hongkong Bank said it has notified the Bank of England, the Hong Kong Monetary Authority and Indonesia's central bank, of the fraud.

HSBC emphasised that the missing funds were insignificant when compared to its overall capital base. "Irrespective of the eventual outcome, this unfortunate event has no material effect on the financial standing of Hongkong Bank or HSBC Holdings," the company said.

Simitis chosen as Greek prime minister

Continued from Page 1

when delegates to a special Pasok congress will vote for a new party chairman.

To ensure Pasok remains united, Mr Simitis is expected to offer senior cabinet positions to both his main rivals. Mr Tsochatzopoulos is likely to remain in charge of public administration and the Pasok party machine, while Mr Arsenis should keep his post at the defence ministry.

However, Mr Simitis is expected to include in his cabinet other members of his "gang of four" rebels who demanded Mr Papandreou's retirement last year. Most prominent are Ms Vasso Papandreou, a former European commissioner, and Mr Theodoros Pangalos, the former European affairs minister.

France launches plans to help tackle urban crisis

By Andrew Jack in Paris

The French government yesterday unveiled wide-ranging measures costing more than FFr5bn ($1bn) a year to ease the growing crisis in troubled urban regions.

The plan is to create 30 "free zones" where businesses will be exempt from all state and local taxes in some of France's most deprived cities until the year 2000. It will also fund the creation of local jobs, hire more police and tackle poor educational performance.

Successive French governments have launched more than half a dozen packages since the late 1970s in response to growing concerns about violence, poverty and deprivation in the suburbs around most cities.

In a symbolic move, Mr Alain Juppé, the prime minister, announced the latest plan in Marseilles. Mr Jean-Claude Gaudin was elected mayor of that city last June before being his appointment later in the year as minister responsible for local development and urban policy.

Apparently responding to criticisms that the government had not carried out adequate consultation before launching its proposed social security reforms late last year, Mr Juppé emphasised the need for "dialogue".

He spoke at an intergovernmental committee open for the first time to local officials and community organisations. He told them he was offering ideas to them but was open to discussion on both their "principle and application".

The financial commitments he offered were much less than expected. In the last few weeks, junior ministers had dropped hints that the initiative would be a "Marshall plan" for the suburbs. "Urban policy has largely broken down," Mr Juppe said. French cities were "breaking apart" and social fragmentation was becoming widespread.

He stressed the need for measures to improve safety and reduce violence and said the government would put much more emphasis on economic remedies for unemployment.

He announced a large number of initiatives, including educational programmes targeted at juvenile delinquents, innovative teaching and greater partnership with community associations.

The policies met with some positive reaction, including from Ms Martine Aubry, the socialist politician and deputy mayor of Lille, who has spent considerable time working on the problems of urban development and youth unemployment.

Mr André Gerin, the Communist mayor of the Vénneiseux district near Lyons, said: "There will certainly be some positive effect, but after the state spent FFr50bn rescuing Crédit Lyonnais [the commercial bank], FFr5bn is not very much."

THE LEX COLUMN

Golden Sachs

FT-SE Eurotrack 200: 1633.8 (+15.4)

As Goldman Sachs' 174 general partners gather today for their annual meeting outside Manhattan, the main subject on their minds will be whether to take the investment bank public. The considerations will be partly cultural: it will not be as easy to motivate staff and maintain team spirit if the partnership goes. But financial considerations will probably be paramount.

Superficially, the maths of going public look attractive. If Goldman received a multiple of 1.5 times book value, in line with that enjoyed by Morgan Stanley, its market capitalisation would be around $7bn. That may look like a huge pot of gold, but not all would go to general partners. Outsiders such as Sumitomo Bank, which has invested over $500m in Goldman, would need their slice. So would the "limited partners", former employees who have capital left in the business.

Nor would dividing up what remained be simple. If the older partners tried to take stakes proportionate to their capital holdings, the younger ones, who have so far accumulated little capital, would rebel. Equity would have to be redistributed to buy them off. A bribe would also probably have to be offered to star employees who are not yet partners: otherwise, they might defect before a flotation.

Once inducements had been offered, the remaining money pot might not be so huge. And given that the financial logic is unlikely to be compelling, it would be foolish to lose the unique qualities of Wall Street's last great partnership.

Apple Computer

Apple's latest bite at restructuring does not look big enough to restore the computer maker's fortunes. The planned 8 per cent reduction in the workforce is limp: most analysts had expected cuts of 25 per cent. And although the company is proposing to shed low-margin products, it has stopped short of pulling out of the consumer market altogether.

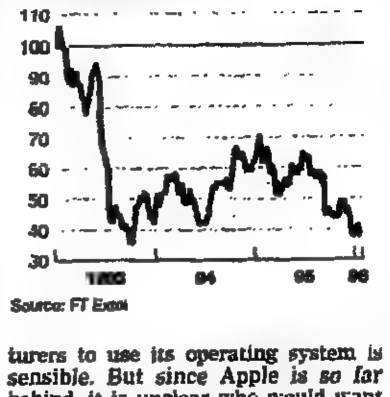
Apple's fundamental problem is that – with only 10 per cent of the personal computer market – it does not enjoy the economies of scale of Microsoft, its main rival. The technical superiority of Apple's Macintosh operating system has been largely eroded by Microsoft's Windows 95 software, for which far more applications have been developed. This forced Apple to slash prices, halving gross margins to 15 per cent.

Trying to persuade more manufacturers to use its operating system is sensible. But since Apple is so far behind, it is unclear who would want to license Macintosh. Without gains in market share on the software side, it will be difficult either to improve the profitability of the manufacturing arm or to sell it. At best, the new policy will slow, rather than stop, the decline of Apple's traditional business.

The group might be able to carve itself a new future as a provider of Internet and multimedia software. This could turn into a substantial market – imagine a little black box on every television – with better margins. But it is not clear how quickly this market will develop. Nor will Apple be the only one ploughing these furrows.

Apple Computer

Share price relative to the S&P Composite Index



Source: FT Extel

AMP

Australian Mutual Provident is right to consider demutualisation. Australia's largest life company is a formidable force, having maintained its market dominance and strong credit rating during a difficult patch for both the company and the economy. There is no immediate pressure to demutualise: the company does not need to raise capital. But a commercially-driven, shareholder-owned company would be better placed to face the growing competition and the new opportunities in Australia.

The new opportunities arise from the increase in the private provision of pensions in Australia, which has caused funds under management to rocket. This means there is a lot of new business to win. But there are also more institutions fighting for that business. In particular, banks, which have often proved better at cultivating relationships with retail clients, are entering the market, sometimes through alliances with life companies. AMP's tie-up with Westpac failed, but it is undoubtedly big enough to go it alone.

However, like others, to be successful it will have to get better at controlling costs, marketing and exploiting new technology – all probably easier in a commercially-driven organisation. Unless it grows, it will lose market share and there is little incentive for mutual companies to grow. AMP will not sentence itself to terminal decline if it decides against demutualisation. But it would probably, over time, lose its dominant position.

Forte/Granada

The Forte bid battle, which closes on Tuesday, has come down to a choice between rival sets of promises. One is the current Forte management's pledge to create a focused hotel group which, it says, would cash in on the upswing in the hotel cycle. The other is Granada's promise to squeeze greater earnings from Forte's restaurants and mid-market hotels while profitably disposing of the rest.

Though Forte has defended itself valiantly against the hostile bid, Granada still deserves to win. This is partly for financial reasons. An independent Forte should command a valuation of around 350p a share – on the basis of 21p a share from its Savoy stake and a multiple of 17 times next year's expected earnings. That is not much less than Granada's 362p cash offer, which shareholders should not accept. But it is substantially below Granada's cash and share offer – worth 388p to taxpaying shareholders and 399p to tax-exempt investors.

Both Granada's and Forte's promises may turn out to be false. Granada could fail to meet its aggressive cost cutting targets or to sell a large portion of Forte's hotels at a good price. But, equally, the hotel cycle could prove less benign than Forte hopes. And given Granada's better track record, the risk that it will fail to deliver looks lower.

There is, of course, an even lower-risk option: to sell Forte shares in the market price at the current price of 381½p and run. For taxpaying investors, this is probably the best way of playing the end-game.

Additional Lex comment on UK interest rates, Page 26

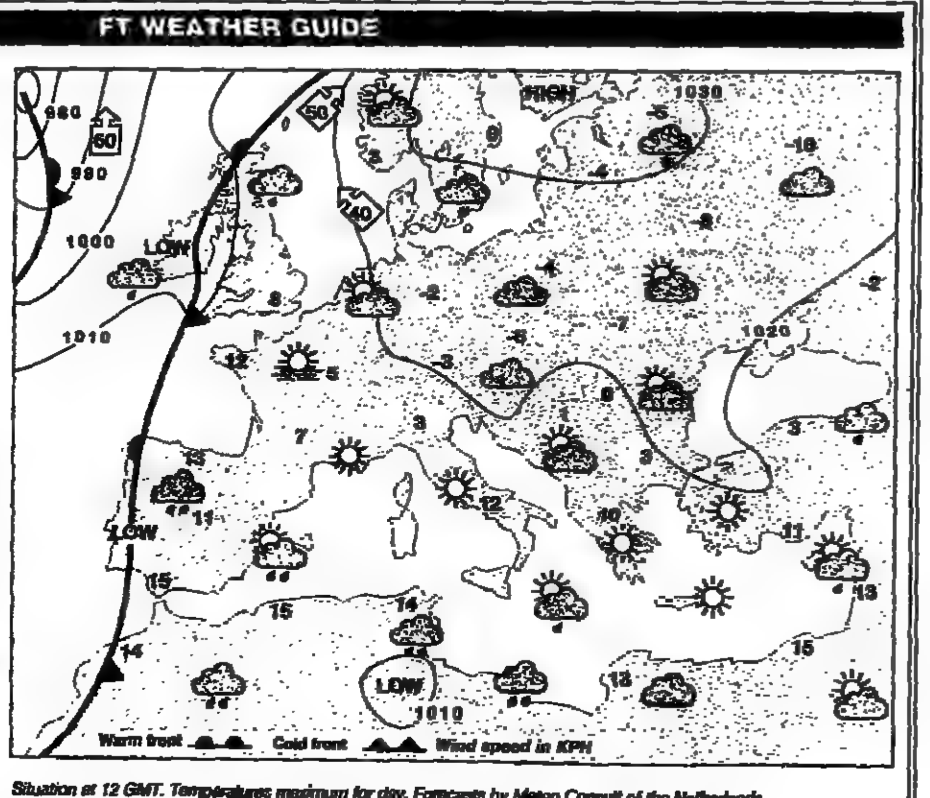
FT WEATHER GUIDE

Europe today

A large area of high pressure over Scandinavia will direct cold air into north-east Europe. Cloud will become widespread from Scandinavia and Russia, to the UK and northern parts of the Alps. Northern Europe will have light rain or drizzle and possibly snow. Southern Spain and Italy will have showers as a low pressure area moves eastward. Most parts of Italy will be sunny, however, except for persistent fog in the Po valley. Greece will continue sunny, but temperatures will remain between 8C-11 C. Turkey will be cloudy, except for regions in the south-west which will continue sunny.

Five-day forecast

The UK will continue cloudy with outbreaks of rain expected over western regions. Increasing easterly winds will draw much colder air from north-east Europe into western parts during the weekend. Light rain will continue over northern Europe with the possibility of snow. Later in the week, cloud will break from the east and showers will move from southern Italy towards Greece. Spain and Portugal will become increasingly unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	cloudy	25
Accra	cloudy	33
Algiers	cloudy	18
Amsterdam	cloudy	2
Athens	sun	10
Atlanta	fair	-3
B. Aires	fair	25
B.ham	drzzl	6
Bangkok	fair	32
Barcelona	fair	12
Beijing	sun	3
Belfast	rain	8
Belgrade	fair	-1
Berlin	snow	-2
Bermuda	cloudy	21
Bogota	cloudy	20
Bombay	sun	27
Brussels	cloudy	1
Budapest	cloudy	-4
C.hagen	fog	-1
Cairo	fair	16
Cape Town	sun	28
Caracas	fair	30
Cardiff	drzzl	9
Casablanca	shower	16
Chicago	fair	-11
Cologne	cloudy	0
Dakar	fair	24
Dallas	sun	8
Delhi	fair	19
Dubai	shower	24
Dublin	rain	9
Dubrovnik	sun	9
Edinburgh	cloudy	7
Faro	shower	15
Frankfurt	cloudy	-2
Geneva	cloudy	0
Gibraltar	shower	15
Glasgow	rain	7
Hamburg	fog	-1
Helsinki	cloudy	-4
Hong Kong	cloudy	18
Honolulu	fair	26
Istanbul	cloudy	4
Jakarta	shower	30
Jersey	cloudy	7
Karachi	sun	25
Kuwait	fair	17
L. Angeles	sun	18
Las Palmas	fair	21
Lima	cloudy	24
Lisbon	rain	13
London	cloudy	8
Lux.bourg	fair	-3
Lyon	fair	[illegible]
Madeira	fair	17
Madrid	cloudy	11
Majorca	fair	14
Malta	shower	14
Manchester	cloudy	6
Manila	fair	30
Melbourne	fair	[illegible]
Mexico City	sun	20
Miami	thund	25
Milan	fog	3
Montreal	sleet	1
Moscow	cloudy	-8
Munich	cloudy	-5
Nairobi	fair	26
Naples	cloudy	11
Nassau	fair	28
New York	rain	[illegible]
Nice	sun	13
Nicosia	shower	13
Oslo	snow	-4
Paris	fair	2
Perth	fair	26
Prague	fog	-5
Rangoon	sun	31
Reykjavik	rain	4
Rio	cloudy	34
Rome	sun	12
S. Frsco	shower	12
Seoul	fair	3
Singapore	fair	30
Stockholm	cloudy	-2
Strasbourg	cloudy	-2
Sydney	fair	28
Tangier	shower	15
Tel Aviv	rain	13
Tokyo	shower	8
Toronto	snow	-7
Vancouver	shower	6
Venice	sun	5
Vienna	snow	-6
Warsaw	cloudy	-4
Washington	rain	3
Wellington	fair	18
Winnipeg	fair	-21
Zurich	cloudy	-1

FINANCIAL TIMES
COMPANIES & MARKETS

Friday January 19 1996

IN BRIEF

Forte v Granada
Ready for the showdown

Page 28

Xerox announces $1.5bn charge

Xerox, the US office documents company, said it would record an after-tax charge of $1.5bn on the sale of its insurance business to a group of investors led by Kohlberg Kravis Roberts, the US buy-out firm, for $2.7bn. Page 22

Repsol rises ahead of share sale
Repsol, the Spanish oil, gas and chemicals group in which the Spanish government is selling more than half its remaining 21 per cent stake, issued provisional estimates showing a 21.6 per cent rise in consolidated net earnings last year to Pta117.7bn ($973m). Page 24

Banesto stages powerful profits rebound
Banco Español de Crédito (Banesto), the Spanish bank which underwent a Pta500bn ($4bn) rescue two years ago, reported a return to annual profit with consolidated earnings of Pta21.4bn compared with a Pta17.6bn loss in 1994. Page 24

AMP to consider ending mutual status
Australian Mutual Provident, the country's largest life assurance group, announced it was setting up a "task force" to review its corporate structure and consider whether it should abandon its mutual status and turn itself into a shareholder-owned company. Page 25

Strong demand for Moroccan bond issue
The Moroccan government said it had raised Dh1.76bn ($207m) in an oversubscribed issue of privatisation bonds, the country's first such issue. Page 25

Major rules out funds for Eurotunnel
Eurotunnel, the Anglo-French operator of the Channel tunnel, will not have "recourse to government funds or guarantees of a financial or commercial nature", Mr John Major, UK prime minister, said in a written reply to Mr Tony Banks, a Labour MP. The crisis-ridden company, which suspended interest payments on £8bn ($12.32bn) of bank loans in September, has been lobbying both the French and UK governments to provide support. Page 27

De Beers says $1bn loan to Russia repaid
Russia has repaid the $1bn it was loaned by De Beers five years ago, according to the South African diamond group. Page 29

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	870	+	10
Asko	778	+	14
Linotype	155	+	5
Porsche	799	+	11
Falls			
CKAG Col pr	920	–	15
Henkel	562	–	8
NEW YORK ($)			
Rises			
Caterpillar	60	+	6¼
Raychem	60	+	6¼
Silicon Grphs	26⅞	+	2½
Falls			
Alvo Inc	20⅝	–	3½
IMC Global	34½	–	3½
LSI Logic	23¾	–	2½
LONDON (Pence)			
Rises			
Br Aerospace	864½	+	29½
UniChem	258½	+	19½
Yorks Tyne TV	722	+	35
Falls			
Frost Group	155	–	16
GGT Group	211	–	19
Psion	725	–	33
TORONTO (C$)			
Rises			
Caldwell	14⅝	+	1½
Fst Dynasty	7¼	+	¼
Metrowerks	14	+	¾
Falls			
Abello Bio	14⅞	–	½
Sicorp	13	–	¼
Tee Comm Elec	13⅞	–	1¼

PARIS (FFr)			
Rises			
Cred Local	414.8	+	13.8
Peugeot	703	+	12
Falls			
Alcatel	431.2	–	12.6
CGIP	1008	–	47
Gen des Eaux	522	–	29
Legrand	829	–	13
TOKYO (Yen)			
Rises			
Yamaha Motor	1020	+	45
Falls			
Arabian Oil	4310	–	230
Asahi Optical	503	–	30
Daimaru Inc	745	–	33
Ihara Chem	778	–	48
Tekken Corp	772	–	32
HONG KONG (HK$)			
Rises			
Dah Hwa Intl	6.7	+	0.75
QPL Intl	7.4	+	0.45
Sino Land	7.55	+	0.30
Falls			
Dao Heng Bank	29.7	–	1.30
HK Telecom	14.55	–	0.55
Vtech Hldgs	13.00	–	0.40
BANGKOK (Baht)			
Rises			
Essex Intl	53.0	+	4.5
Jack Chia Ind	37.25	+	3.25
Modernform GR	24.0	+	2.0
Falls			
Asian Marine	53.5	–	5.5
Interlife Ins	78.5	–	8.5
Univentures	46.5	–	4.5

New York and Toronto prices at 12.30pm.

L'Oréal raises bid for Maybelline

By Richard Tomkins in New York

L'Oréal, of France, yesterday raised the stakes in the bid battle that has broken out over Maybelline by increasing its cash offer for the US cosmetics company to $567m.

Shares in Maybelline, the second biggest US cosmetics company, rose $2⅝ to $42⅝ in early trading yesterday.

L'Oréal announced in Paris and New York that it was raising its cash offer for Maybelline to $41 a share from $36.75. As before, it said its offer would expire at midnight New York time on February 1.

L'Oréal's increased offer came only hours after Maybelline announced that it had received an unsolicited cash offer of $37 a share from Benckiser, the German consumer products groups. This had exceeded L'Oréal's earlier offer.

Based on the number of shares outstanding, L'Oréal's new offer values Maybelline at $567m, while Benckiser's last offer values the company at $511m. Whichever company wins the battle will also assume Maybelline's debts of $150m.

By lunchtime in New York yesterday, Maybelline had not responded to L'Oréal's increased offer. In response to Benckiser's offer, it said it was ready to meet Benckiser and L'Oréal to study the situation. It also agreed to give Benckiser the details of its merger agreement with L'Oréal in spite of a confidentiality agreement.

Benckiser said it was aware of L'Oréal's increased offer and was reviewing the situation.

The stage was set for the takeover battle when Maybelline, a mass-market maker of cosmetics, accepted L'Oréal's $36.75-a-share offer last month. L'Oréal is the world's largest cosmetics company and its North American arm, Cosmair, is the fourth largest cosmetics company in the US.

The two companies thought they had an agreed deal, but last Friday, Benckiser, which owns Coty and other cosmetics brands, sent an unsolicited letter to Maybelline saying it was prepared to make a "materially higher" offer for the company than L'Oréal's.

On Tuesday, Benckiser followed this letter with another saying it would offer $37 unconditionally, or a "materially higher" figure if Maybelline introduced a stockholder rights plan that would prevent a successful counter-bid by L'Oréal.

L'Oréal's latest move makes the outcome uncertain. On the one hand, its higher bid appears to be aimed at pre-empting a higher bid from Benckiser, and Benckiser has made it plain that it has no wish for a bid battle.

L'Oréal's bid would result in a concentration of ownership in the US cosmetics market, so raising anti-trust issues. By comparison, Benckiser's offer appears risk-free, so it may need to do no more than match L'Oréal's offer to win the takeover contest.

Partnership that built Viacom is over after nine years

Exit the lieutenant as chief shows his steel

Hands-on control

The startling dismissal on Tuesday of Mr Frank Biondi, chief executive of the US media group Viacom, met with a curiously calm reception on Wall Street yesterday. Viacom's shares fell just 3 per cent.

But as the market doubtless reflected, the real power behind the company remains unchanged. Mr Biondi may be a widely respected media executive, for nine years the right-hand man of Viacom's chairman, 72-year-old Mr Sumner Redstone. But as the majority holder of Viacom's voting stock, Mr Redstone owns the company. He says he will take a more hands-on approach to running Viacom.

Mr Redstone hired Mr Biondi as his chief executive after his $3.4bn takeover of Viacom in 1987. Mr Redstone's own background is the stuff of media legend: from being the moderately successful head of a cinema chain founded by his father, he became a driven man after almost being killed in a hotel fire in Boston at the age of 56.

After his takeover of Viacom – then a cable television company – he and Mr Biondi embarked on an ambitious series of acquisitions: the Paramount film studio, the Blockbuster chain of video stores and the book publisher Simon & Schuster, among others. With revenues of more than $11bn, Viacom is now the world's second biggest media empire after Time Warner.

The reasons Mr Redstone gives for Mr Biondi's dismissal say a good deal about himself and the industry. "I have a lot of affection for Frank, and what I did was very difficult," he said yesterday. "But Frank would tell you his management style is very laid-back and decentralised. In the old Viacom that style worked, and I was happy to sit on the sidelines. Now there are issues coming up which have to be addressed."

Chief, it seems, is the poor performance over the past year of Paramount. After its big success in 1994 with the film *Forrest Gump*, it has reported sharply lower earnings in 1995. Part of the problem, Mr Redstone said, was that too many of its films had been based on weak scripts.

"I'd have preferred Frank to go out and fix the studio," he said. "He didn't. So for the past three or four months, I've been in California. I saw it developing early, and I was on the case. I'd have seen it sooner if I'd been CEO." He has now taken on the post of chief executive officer himself.

Mr Redstone's basic argument is that in a world of expanding media empires – he cited Time Warner's takeover of Turner Broadcasting, and Disney's of Capital Cities/ABC – the entrepreneurial spirit is more important than ever.

Take, he said, Mr Rupert Murdoch – another media tycoon who has a controlling stake in his business. "If Murdoch sees a problem in China, he's on a plane that day to fix it. That wasn't Frank's style. I'm a born entrepreneur and in this environment, the way I am is the way this company should be. It takes a very entrepreneurial, aggressive, hands-on style to get things done."

The time would come when he would have to give way to a younger man

There is one obvious problem. At 72, Mr Redstone claims to be "more hard-working and energised" than he was when he took over Viacom in his mid-60s. But he has now appointed as vice-chairmen two men – Mr Philippe Dauman, 41, and Mr Tom Dooley, 39 – who are by a fair margin young enough to be his children. Other businesses have been driven into the ground by septuagenarians who would not give up. What are the prospects for Viacom?

Mr Redstone deflected the question with a joke: "Mr Dole [the US Republican presidential candidate] thinks he can run America at 72. My record in business is at least as good as his in politics."

The time would come, he said, when he would have to give way to a younger man. "But I hope not too soon. And I have at least six people working here who can run Viacom better than other media companies are run today."

Meanwhile, what lies ahead for Mr Biondi? Reports suggest his compensation may be close to $50m. And in any case, Mr Redstone said: "Believe me, he won't have any trouble with his career."

He may be right. Another likely reason for Wall Street's calm reaction to Mr Biondi's departure is that abrupt dismissals are common in the US media industry. Mr Biondi, 51, has been fired before: in 1984, as chief executive of Home Box Office, the pay-TV subsidiary of Time Warner. In the gossip-filled world of media, the chief question is where he will surface next.

Tony Jackson

Fourth-quarter surge puts IBM at highest since 1990

By Louise Kehoe in San Francisco

International Business Machines reported stronger than expected earnings for the fourth quarter and ended the year with its highest profits since 1990. The results provided some relief from the earnings disappointments that other US high technology companies have produced over the past few days.

Net income for the quarter, after special charges, was $1.7bn or $3.09 a share, a 41 per cent increase over $1.2bn, or $2.06 a share, in the same period a year ago. IBM recorded a previously announced restructuring charge of $663m, partially offset by a one-time gain of $175m related to the 1994 sale of its Federal Systems Company to Loral.

For the year, net earnings, after charges, were $4.1bn, or $7.23 a share, compared with $2.9bn, or $5.02 a share, in 1994.

Excluding the special items, IBM's net income for the quarter rose 65 per cent for the quarter to $2.0bn, or $3.66 a share, well above Wall Street projections of $3.45 a share.

Revenues were up 10 per cent for the quarter at $21.9bn, bringing full-year revenues to a record high of $71.9bn, up 12 per cent – the best rate of growth since 1984.

IBM's share price rose 5 per cent to $92 in midsession.

"Our quarterly and full-year results indicate that our fundamental strategies are working," said Mr Louis Gerstner, chairman and chief executive. IBM is focused on "completely transforming" its traditional businesses to address the market for networked computer systems while also expanding newer, high growth businesses, he said.

The information technology industry was experiencing very strong demand from corporate customers, said Mr Rick Thoman, chief financial officer.

With few exceptions, IBM was in first or second place in the markets it addressed, he said.

IBM was close to completing its broad restructuring, Mr Thoman added. The programme of job cuts would be completed this year, he said, although IBM would continue to make cuts as needed.

Results for the quarter were strong in almost all segments of IBM's business. In particular, revenues from services such as "outsourcing" of IT management and consulting were up 25 per cent at $4.1bn. Sales of computer hardware rebounded as IBM resolved component shortage problems that had limited sales earlier in the year. Personal computers, long a problem area for IBM, sold well during the quarter, Mr Gerstner said. Total hardware sales were up 8 per cent at $11.5bn.

Software, IBM's most profitable business area, also had a strong quarter, Mr Gerstner said, with revenues up 9 per cent at $3.6bn. Lotus, the PC software company acquired by IBM last year, produced a "stand-out" performance, he added.

Strong sales in the Asia-Pacific region in the quarter offset weakness in Latin America. In Europe sales rose 7 per cent to $8.1bn, while North American sales were up 11 per cent at $8.6bn.

Gross profit margin improved to 41.9 per cent in the fourth quarter, up from 41.3 per cent in the third quarter and 40.6 per cent in the final quarter of 1994.

Fears for gold price after big JCI sale

By Kenneth Gooding, Mining Correspondent

The biggest forward sale of gold has been completed by JCI, the South African mining house, in a move which will disappoint traders who fear it could adversely affect sentiment in the market and hold down the gold price.

JCI has sold the entire production of its Western Areas mining complex for the next 8½ years – a total of 7.3m troy ounces or 227 tonnes, roughly equivalent to the annual output of Australia, the world's third largest producer.

The sale will dismay some gold bulls who believe producers' hedging programmes place an artificial cap on the gold price. Forward sales condense years of supply into a few weeks because the counter-party financial institutions borrow gold from central banks then sell it immediately to raise cash which is put on deposit until needed. Central banks get their gold back ultimately, with interest in gold, when the producer delivers the last ounces of loaned gold.

In the past, only central banks have sold such large quantities of gold and some traders were taking heart yesterday because the market absorbed the JCI gold, sold in November and December, without the gold price falling. Since the beginning of 1996 the price has risen quite strongly. "This shows the efficiency and depth of the gold market today," said one trader.

However, other analysts said the sale showed South African producers were willing to hedge their output whereas until recently they were reluctant to follow the lead of Australian and North American companies.

JCI's sale follows one by Gengold, a division of Gencor, which last August sold forward 2.9m ounces (90 tonnes) of gold for delivery over six years.

Anglo American Corporation said yesterday that its Freegold offshoot had sold forward about 35 tonnes of gold at an average price of $429 an ounce "in order to rescue the risk in the future of the profit margin squeeze experienced over the past two years".

JCI is to give details of the sale, structured by AIG International and Standard Corporate & Merchant Bank, today but said yesterday it would ensure it could complete its R1.1bn ($302m) development of Western's South Deep project without having to turn to shareholders.

Anglo American jobs threat, Page 25

Bond market helps Nomura post sharp rise in third term

By Gerard Baker in Tokyo

Nomura Securities is on course for its best full-year performance since 1991. Japan's largest stockbroker yesterday posted sharply higher profits in the three months to the end of December, assisted by the strength of the Japanese bond market.

Recurring profits before tax and extraordinary items for the quarter were Y29.6bn ($282m), bringing nine-month pre-tax earnings to end-December to Y61.3bn. Nomura shares in Tokyo closed down Y30 at Y2,270.

This is the first financial year in which Nomura has published quarterly statements, making direct comparison with the previous year difficult. In the year to the end of March 1995, the company reported a pre-tax profit of just Y6.8bn. Operating revenue in the quarter was Y314.4bn, compared with Y335bn for the year to March 1995.

The company made a net gain on bond trading in the nine months of Y58.2bn, against a full-year gain of Y25.6bn the year before. The Japanese bond market has been buoyant since the spring, following aggressive cuts in interest rates by the Bank of Japan. Looser monetary policy has enabled banks and brokers to record large gains on bond trading. But with interest rates at record lows the scope for further advances in the bond market is diminished.

Nomura's core business, brokerage commission, registered a slight improvement as activity picked up in equity and bond markets. Stock brokerage commissions rose an estimated 10 per cent to Y75.7bn for the nine months, on increasing turnover on the Tokyo stock exchange. Bond brokerage commissions were 87 per cent higher at Y24.8bn, owing to active trading in convertible bonds.

But underwriting remained stagnant. Nomura underwrote a total of 88m shares in the three quarters to the end of 1995, with a value of Y245bn, down an estimated 16 per cent on a year earlier. The total value of bonds underwritten was Y2,090bn, 10 per cent lower as a result of stiffer competition from the new broking subsidiaries of the leading banks.

Net interest and dividend income rose 47 per cent to Y46.3bn.

AMERICAS NEWS DIGEST

PaineWebber takes $30m provision

PaineWebber, the US securities house, has taken an additional $30m pre-tax charge to cover costs related to a settlement with the Securities and Exchange Commission over the sale of limited partnerships in the 1980s and early 1990s. The resolution of the dispute with the SEC included a $5m civil penalty and a class action settlement of $125m.

In the second quarter of 1995, PaineWebber provided $200m to reimburse investors who lost money on the partnerships. The group said the extra charge, announced with fourth-quarter earnings, would "accomplish a timely resolution of these complex issues and put this matter behind the firm".

Including the charge of $20.1m after tax, PaineWebber reported fourth-quarter earnings up from $19.3m to $58.8m and fully-diluted earnings per share ahead from 28 cents to 50 cents. Excluding the charges for the year, net income rose from $102m to $227m, or from $1.27 to $1.90 on a fully-diluted per share basis. The charges reduced net income to $80.8m, compared with $31.6m in 1994. The group acquired Kidder Peabody from General Electric at the end of 1994, issuing 27m shares as part of the consideration.

■ Bear Stearns, the investment bank, reported a rise in second-quarter net income for the three months to December 31 from $32.9m to $105m. Earnings per share increased from 21 cents to 76 cents. Revenues, net of interest, climbed 61 per cent to $688m in the quarter, including a doubling of investment banking revenues reflecting mergers and acquisitions and underwriting activity. *Maggie Urry, New York*

Kimberly-Clark arm advances

Kimberly Clark de México, the country's largest paper producer, reported an 8 per cent increase in operating profit to 1.9bn pesos ($253m) for 1995, despite recession and rises last year in the international price of paper pulp. Year-end sales of 6.9bn pesos represented a 17 per cent increase on 1994 in real peso terms.

The company is listed independently of the Kimberly-Clark of the US, which owns 43 per cent of its shares.

An increase in pulp prices and the peso's fall against the dollar meant operating margins were below the previous two years. However, the company increased prices over the rate of inflation, and was helped by a move away from imported goods, whose price has increased even more following the peso's fall. *Daniel Dombey, Mexico City*

Alfa doubles investment

Alfa, the Mexican steel, petrochemicals and food conglomerate, yesterday announced it was doubling its investment outlays to $832m in 1996 in order to develop its new telecommunications joint-venture with AT&T of the US.

Alfa said half of its capital expenditure was earmarked for Alestra, the new venture which plans to offer long-distance services when the market is deregulated in January 1997. The remaining $400m would be invested to expand capacity in Alfa's existing industrial concerns, Mr González Migoya said.

Mr Migoya said much of Alfa's capital outlays were geared towards expanding exports, which totalled $1.2bn in 1995 and represented more than one-third of the group's estimated sales of 21.8bn pesos ($2.9bn).

Alfa's investment plans are an encouraging indication of the ability of Mexico's large conglomerates to lead an export-led economic revival. However, many private-sector economists remain worried about the continued weakness of Mexico's banking sector and the high cost of credit, which is expected to delay any chances of recovery for most of Mexico's small and medium-sized businesses.

Leslie Crawford, Mexico City

Diamond Multimedia shares hit

Shares in Diamond Multimedia, the US maker of graphic-enhancing computer equipment, fell 37 per cent in early trading amid concerns about falling margins and uncertainty about $3.7m in misplaced or stolen inventory.

After the market closed on Wednesday, Diamond announced a it had made $13.1m, or 40 cents a share, in the fourth quarter, excluding a one-off charge for the acquisition of SPEA Software, a German competitor. Analysts had forecast earnings closer to 44 cents a share.

Most attributed to stock drop to worries about falling margins and uncertainty related to the inventory loss. The shares were $9⅞ lower at $13¼ at midday.

Lisa Bransten, New York

NatWest's US unit climbs 44%

NatWest Bancorp, the US subsidiary of the UK's National Westminster Bank, lifted its after-tax profits by 44 per cent in the closing months of last year, in what could be the last full quarter before the business is sold. The jump in net income, to $170m, in part reflected the acquisition of two New Jersey banks, Citizens First Bancorp and Central Jersey Bancorp. Net interest income for the quarter remained roughly level with a year before, while non-interest income more than doubled, to $192m. Pre-tax income doubled to $170m.

For the full year, NatWest Bancorp reported after-tax profits of $306m, up only marginally from $299m in 1994 because of a higher tax charge. Pre-tax profits for the year rose 55 per cent to $507m. NatWest agreed late last year to sell the business to Fleet Financial. *Richard Waters, New York*

Drilling result boosts Bre-X

Drilling results from a gold property on the Indonesian island of Kalimantan have propelled Bre-X Minerals shares from C$1.90 to C$84 in less than a year, giving the small exploration company a market capitalisation of C$1.8bn (US$1.3bn).

Bre-X on Monday reported results from the latest five drill holes on the south-east zone of its large Busang, Kalimantan, property. Grades range from 0.04oz to 0.15oz a tonne.

Robert Gibbens, Montreal

Kodak considers sale of copier business

By Maggie Urry in New York

Eastman Kodak, the photographic and digital imaging group, is considering the sale of its loss-making office copier business. The group, which also reported a fall in fourth quarter earnings from continuing operations, said it had decided to reposition the business, which had sales of $2bn in 1995.

It added that it was looking at "a variety of strategic options" including alliances, joint ventures or a sale.

Kodak said it had set no timetable for the decision on the subsidiary's future but the problem had management's "highest priority". Kodak shares fell in morning trading by $1⅞ to $67⅛.

Mr Harry Kavetas, chief financial officer, said an outright sale of the office imaging business, or a partial sale to a joint venture partner, would free management and financial resources within Kodak which could be concentrated on its core activities. He declined to comment on how much the business might be worth or its value in Kodak's books. He thought it was an "attractive property to a number of potential outside parties".

Since Mr George Fisher arrived as chief executive in December 1993, Kodak has been shaken up. Its drugs business was sold, raising $8bn, which was largely used to repay debt.

Two waves of lay-offs led to about 11,000 job losses with a further 2,000 to go, although acquisitions have also added staff. The second round of cuts led to a $254m after-tax restructuring charge in the last quarter of 1994.

Earnings from continuing operations in the fourth quarter, excluding the restructuring charge in 1994, fell 16 per cent from $470m to $394m, weighed down by losses at the office imaging division and by a goodwill write-off of $50m, or 15 cents a share, mainly at its medical imaging business. The fall was in spite of strong performances in the motion picture and television imaging areas.

On the consumer side, sales in the US were affected by the weak retail climate in the last quarter of 1995. Sales growth in that area was held to 1 per cent, although outside the US consumer sales rose 10 per cent.

Group net earnings after all charges were up from $18m to $275m in the fourth quarter and from $557m to $1.25bn for the year. Fully diluted earnings per share were ahead from 4 cents to 78 cents in the fourth quarter and from $1.63 to $3.56 for the year.

Apple shares drop sharply following losses

By Louise Kehoe in San Francisco

Apple Computer shares dropped sharply yesterday as Wall Street analysts downgraded the stock in the wake of the US personal computer company's first fiscal quarter losses, reported after the close of trading on Wednesday.

Apple was trading at $30⅝ in mid-session, down 10 per cent from Wednesday's close of $34.

As expected, Apple reported a loss of $69m for its first fiscal quarter ended December 29. The company added, however, that it expected continuing losses from operations in the current quarter, in addition to restructuring charges of "at least" $125m.

The company said it would cut 1,300 jobs over the next 12 months, reducing its workforce by about 8 per cent. The cuts are smaller than most analysts had expected. However, Apple said additional restructuring actions and charges were "possible" in the current quarter and in future quarters.

Mr Michael Spindler, Apple chief executive, said the job cuts represented the "initial phase" of a plan to "fundamentally change our business model".

Apple planned to pare its product line and focus increasingly on "best of class" products in all parts of the market and would pursue a "much broader licensing of the Macintosh operating system [software]", Mr Spindler said.

Apple is expected to concentrate on high-end personal computers, which carry higher profit margins.

Analysts were disappointed that Apple did not announce more drastic measures to cut costs. Mr Spindler delivered an "anaemic" restructuring message, said Mr Daniel Kunstler of J. P. Morgan Securities, which downgraded the stock yesterday. Analysts predicted Apple might ultimately have to cut as many as 4,000 jobs as it struggles to return to profitability.

Apple's fiscal first-quarter loss compares with net income of $188m, or $1.55 a share, in the same period a year ago. Revenue for the quarter rose 11 per cent from $2.83bn to $3.1bn, while unit shipments of its computers grew 12 per cent.

World PC shipments, however, are estimated to have increased by about 25 per cent in the Christmas quarter, suggesting that Apple lost market share.

The company said its gross profit margin as a percentage of sales plunged from almost 29 per cent a year ago to 15 per cent, in part because of a fierce price war in Japan. Apple also said it had to write down $80m in inventory in the quarter because of overestimated demand.

Lex, Page 20

Xerox to take $1.5bn disposal charge

By Richard Waters in New York

Xerox, the US office documents company, yesterday said it would record an after-tax charge of $1.5bn on the sale of its insurance business, bringing to an end a costly, 13-year foray into the financial services industry.

The company announced an agreement to sell its property/casualty insurance operations to a group of investors led by Kohlberg Kravis Roberts, the US buy-out firm, for $2.7bn.

The disposal comes only weeks after Aetna, one of the biggest US insurers, sold its property/casualty business to Travelers, a rival, for $4bn.

The deals signal a reshuffling of ownership in the US property/casualty industry, prompted by recent heavy catastrophe and environmental losses and the prospect of lacklustre premium growth.

Cigna, another big US insurer, hopes to win regulatory approval shortly to spin off its environmental liabilities into a separate, $5bn company, in the face of complaints from rival insurers and a number of state insurance commissioners.

Xerox's departure from the insurance business will involve its selling Talegen, a subsidiary whose business consists of a number of specialist insurance operations, at below book value. This will result in an after-tax loss on the sale of $975m, the company said.

Xerox will also continue to provide excess-of-loss reinsurance to Talegen, under which it will meet losses above a certain level. This, and an addition to the insurer's reserves, will cost $525m after tax.

The new investors, led by KKR, will pay Xerox $1.45bn in cash, together with $450m in preference shares and $462m of performance-related instruments. They will also assume $360m of debt.

Since announcing its plans to leave the insurance industry two years ago, Xerox has sold a number of other operations.

Yesterday, Mr Paul Allaire, chairman, said the sale would enable the company to cut its debt and focus on its document processing business.

The disposal follows a three-year effort by Xerox to clean up the insurance business for sale.

This involved the boosting its reserves and reinsurance in the face of heavy environmental exposures.

Xerox entered the insurance business with the purchase of Crum & Foster, then the tenth largest US property and liability insurance company, in 1983.

GE upbeat after record result for year

By Maggie Urry

General Electric, the largest US company, reported record results for 1995, with earnings per share ahead by 13 per cent. Mr Jack Welch, chairman, said the group was in a position "to deliver another year of record results in 1996".

Mr Welch said: "GE's businesses made aggressive moves during the year to ensure future growth." These include the alliances with Microsoft, the computer software group, announced in December, and the pre-emptive bid by NBC to televise five of the next six Olympics; acquisitions by GE Capital; and heavy investment by the plastics business.

For the fourth quarter, net income from continuing operations rose from $1.69bn to $1.86bn, on revenues 11 per cent higher at $19.8bn.

The fourth quarter of 1994 bore a $917m charge related to the sale of Kidder Peabody, the securities business. Earnings per share, excluding the Kidder charge, rose from 99 cents to $1.12.

Reuter

Jack Welch: made 'aggressive moves to ensure future growth'

Net income for 1995 was $6.57bn, up from $5.92bn before the Kidder charge of $1.19bn. Earnings per share from continuing operations rose from $3.46 to $3.90. The slightly faster rise in earnings per share reflected the repurchase of $3.1bn shares in the year, reducing the number of shares in issue from 1.71bn to 1.67bn. The group has authority to buy a further $6bn worth of shares by the end of 1997.

Revenues increased 17 per cent in the year from $60.1bn to $70bn. The growth was fuelled by the group's international activities, which accounted for 36 per cent of total sales, up from 33 per cent in 1994.

Ten of the group's 12 divisions increased operating profits, with six reporting double-digit gains.

Operating margins for the year were ahead from 13.6 per cent to 14.4 per cent of sales.

GE Capital, the largest division, increased earnings by 18 per cent to $2.42bn, slightly below the average earnings growth of 20 per cent a year for the last 10 years.

Only two activities suffered profit falls: power systems, which has been affected by severe competition on international projects, and motors.

McDonnell Douglas project in doubt

By Richard Tomkins in New York

Doubts were raised over the future of McDonnell Douglas's wide-bodied MD-11 airliner yesterday after the US defence and aerospace company recognised a shortfall in demand for the aircraft by taking a $1.8bn charge to fourth-quarter profits.

The charge stems from the fact that the costs of developing and manufacturing the MD-11 may have to be spread over a smaller number of aircraft than the company had expected.

Until now, McDonnell Douglas had followed standard industry practice of basing the cost of sales for each MD-11 delivery on an average cost per aircraft for the expected life of the entire MD-11 programme.

Yesterday, however, it said disappointing demand had forced it to change to a new method of accounting. From the beginning of the fourth quarter, it said, it had started to base the cost of sales of each delivery on the actual cost of producing each aircraft.

In accounting terms, this means the company has switched from a programme basis of accounting to a specific unit basis. As a result, it had to take a $1.8bn pre-tax charge for deferred production costs and for the reduction in the valuation of support and tooling costs.

Mr James Palmer, chief financial officer, strongly denied McDonnell Douglas was preparing to axe the MD-11. "We have not made any decision to shut down that programme. We will pursue every opportunity with full vim and vigour just as aggressively as we have in the past," he said.

However, Mr Peter Aseritis, analyst at CS First Boston, said he believed McDonnell Douglas might be considering a new future for the MD-11 as a freighter.

"I don't think there is any doubt that the MD-11 is not going to sell well as a commercial airliner," Mr Aseritis said. "But as a freighter, it is already Federal Express's freighter of choice, and I think people are going to say that if it is FedEx's freighter of choice, then maybe it should be the freighter of choice for other operators."

The accounting change for the MD-11 came as McDonnell Douglas reported better than expected fourth-quarter results, buoyed by a strong performance from the military aircraft division. Net earnings would have been up from $165m to $187m, but the accounting change turned the profit into a net loss of $936m.

A boost to revenues from the F-15 and F/A-18 programme helped lift operating profits in the military aircraft division from $207m to $253m. The commercial aircraft division increased operating profits from $12m to $13m, delivering three MD-80s, four MD-90s and five MD-11s, compared with six MD-80s and four MD-11s last time. But the missiles, space and electronic systems division saw a decline in operating profits from $66m to $30m because of increased spending on development of the Delta III launcher.

For the full year, McDonnell Douglas increased net earnings from $598m to $707m, but the accounting change turned the latest figure into a loss of $416m.

■ Raytheon, the Massachusetts-based defence company, yesterday reported fourth-quarter net earnings of $222.3m, compared with $205.7m last time. For the full year it had net income of $792.5m, up from $596.9m.

The company said its full-year results were driven by strong performances at Raytheon Aircraft, Raytheon Engineers & Constructors, and commercial electronics, as well as a significant contribution from the recently-acquired E-Systems. Defence sales and profits were down, but Raytheon said the falls were not as great as in previous years.

Dividend concerns resurface at Bankers Trust

By Richard Waters in New York

Doubts about Bankers Trust's ability to maintain its dividend at current levels resurfaced on Wall Street yesterday as the troubled US bank reported disappointing results for the final quarter of 1995.

Earnings per share for the period were $1.36, well below market expectations of around $1.70, despite a big one-off equity gain. Its shares fell $1⅞, or nearly 3 per cent, during morning trading, to $63⅞.

The latest set of figures reflected a slide back into loss by Bankers Trust's derivatives operations, the original source of its difficulties in 1994. The bank continues to face lawsuits from Procter & Gamble, among others, over leveraged derivatives it had sold.

The derivatives business, which had struggled back to break-even level in the previous quarter, after two periods of losses, incurred a $32m deficit in the final three months of the year. The loss came in spite of heavy cost-cutting during the year, raising the prospect of a further round of reductions.

The closing months of 1995 produced a stream of bad publicity for Bankers Trust's derivatives business, sparked by renewed accusations from Procter & Gamble.

While overshadowed by the problems in derivatives, the latest figures also reflect difficulties in the bank's investment management operations. Its income from client advisory businesses – largely investment management – fell by more than half from a year before, to $13m, partly because of higher costs. The bank appointed a new management team late last year to run this business.

A review had also thrown up "a small number" of investment management accounts where trades were "not conducted in accordance with [the bank's] standards", Bankers Trust revealed. Though only resulting in expenses of $6m to compensate clients, the revelation will further dent the bank's reputation.

Other operations generated more steady earnings. The high level of activity in credit markets bolstered income in the bank's financing group, while profits from trading climbed to $129m, the highest quarterly level in two years. This was before charges of $51m, which reflected settlement of some of the outstanding derivatives actions.

The quarter's results were boosted by a $148m gain from a holding in Northwest Airlines. This was recognised as the bank shifted the holding into the "held-for-sale" category, signalling plans to dispose of the shares.

Mr Frank Newman, the bank's new chief executive and, from April, its chairman, moved to ease fears about the dividend a month ago, when he assured it would not be cut in the current quarter. Until the bank starts to generate more steady profits, though, the doubts seem likely to persist.

Bankers Trust reported net income of $126m, or $1.36 a share, for the final quarter of 1995. This was 25 per cent higher than the troubled fourth quarter of 1994, but below the $155m of 1995's third quarter. Full-year net income slipped to $215m, or $2.02 a share, compared with $615m, or $7.17, in 1994.

EUROPEAN NEWS DIGEST

Sandoz optimistic despite sales slip

Sandoz, the Swiss drugs company which began a divestment programme last year, saw sales for 1995 fall to SFr15.2bn ($12.86bn), against SFr15.87bn the previous year. But the company said a better operating performance meant it expected a "marked increase" in 1995 net profits. It added that sales were 14 per cent higher than in 1994, if measured in local currencies. Sandoz shares rose SFr41 at SFr1,043.

Roche, the biggest Swiss drugs company, said on Wednesday its 1995 sales grew by 11 per cent in local currencies, but with virtually no change when measured in Swiss francs. Sandoz spun off some of its chemicals operations in July last year. Excluding businesses sold, sales rose 4 per cent.

Pharmaceutical division sales rose by 8 per cent in local currencies to SFr7.1bn from SFr7.2bn. Two drugs, Sandimmum and its new variant Neoral, used in transplants and for rheumatoid arthritis and psoriasis, posted 10 per cent local currency sales gains. Annual sales of its recently-launched Lescol lipid-lowering agent reached SFr245m. Sandoz upset the lipid-lowering drug market in the US by launching Lescol at half the price of competitors made by Merck and Bristol-Myers Squibb. Nutrition division sales rose 42 per cent to SFr3.7bn, largely because of the 1994 acquisition of US foods company Gerber. Excluding Gerber, the rise in nutritional division sales was 7 per cent. *Daniel Green*

Cost cuts 'halve Snecma loss'

Snecma, the French state-owned aero-engine maker, said yesterday that cost-cuts and redundancies had helped it nearly halve its 1995 net loss to about FFr1.1-FFr1.2bn ($220m-$240m), from FFr2.2bn the previous year. Turnover fell from FFr10.4bn to FFr8.7bn. Mr Bernard Dufour, chairman and chief executive, predicted sales this year would rise slightly to FFr9bn, helped by new products such as the M88 engine for France's Rafale fighter and medium and lower thrust engines developed with Snecma's long-time partner, General Electric of the US.

But Mr Dufour attacked the "unprecedented" price competition among the world's leading aero-engine companies. He added that with its accumulated losses punching "a hole in our finances", Snecma could not match some of the price rebates other companies were offering. He also indicated the French company might have to let GE develop on its own more powerful versions of the GE-90 engine, in which Snecma has a 25 per cent stake, in order to compete with Pratt & Whitney and Rolls-Royce to equip Boeing's 777 carrier. *David Buchan, Paris*

SE-Banken draws more criticism

Sweden's financial supervisory authority yesterday added its voice to criticism of Skandinaviska Enskilda Banken for the unexpected credit losses the bank suffered last year and called on the bank to demonstrate that its control of exposures was working. The move by Finansinspektionen followed the imposition on Tuesday of a SKr2m ($300,000) fine on SE-Banken by the Stockholm Stock Exchange for breaking its listing agreement by its handling of information about the losses.

Credit losses linked to the failed financial investment group Luxonen – largely caused by losses on volatile currency swap contracts – forced SE-Banken to make unheralded provisions of SKr2.9bn last year on top of SKr1bn in provisions taken against the Luxonen exposure in 1994. Finansinspektionen said it had found "insufficiencies in the bank's organisation, routines and handling of the credit exposures concerned". It acknowledged that SE-Banken, the main financial arm of the Wallenberg industrial empire, had admitted these shortcomings and taken steps to improve credit controls.

The bank insists its control systems were thoroughly overhauled following the general Swedish banking crisis in the early 1990s – after the exposure to Luxonen had been taken on. It says these new systems were reviewed after the Luxonen losses emerged and were functioning well, ensuring that no repeat of the losses is likely. But Finansinspektionen called on the SE-Banken board to submit a "comprehensive report" to the authority detailing the measures it had taken, or planned to take in light of the stock exchange criticism. *Hugh Carnegy, Stockholm*

■ Thyssen Industrie, the engineering and defence division of the Thyssen group, saw net profits for the year ended September 30 rise 18 per cent from DM88m to DM104m ($71m), but it suffered "massive losses" at its Blohm & Voss shipbuilding operations. New orders at the Hamburg shipyard collapsed following the rise of the D-Mark against the dollar and other European currencies. Mr Eckhard Rohkamm, chief executive, said the outlook for this year was "generally positive". Turnover in the first quarter of 1995-96 rose 1 per cent to DM1.8bn. *Michael Lindemann, Bonn*

■ Esselte, the Swedish office products group, yesterday reported a 43 per cent jump in 1995 profits from SKr413m to SKr592m ($88.8m), well ahead of its forecast. Mr Bo Lundquist, chief executive, said the group had benefited from tough streamlining in the US. But he said Esselte had been hit by the strengthening of the krona towards the end of 1995 – which lopped SKr10m off profits – and by sharp increases in raw material prices. The company saw sales rise an underlying 4 per cent to SKr12.1bn. *Christopher Brown-Humes, Stockholm*

Olivetti says revamp costs higher than forecast

By John Simkins in Milan and Michael Morgan in London

Only a month after Olivetti's surprisingly successful L2,257bn ($1.42bn) rights issue, the troubled Italian computer group has privately advised analysts that restructuring costs have proved higher than expected.

Analysts from a number of houses have subsequently downgraded 1996 net profit forecasts from about L360bn to L130bn. Although Olivetti's shares picked up 1.5 per cent yesterday in a very strong Milan stock market, over the previous four trading sessions the price had fallen 13.7 per cent.

The low point of the week was on Wednesday, when under additional pressure from a sharp slide in high technology stocks worldwide the shares fell to L1,027, close to the rights issue price of L1,000.

Olivetti insisted yesterday that, in keeping with its usual practice, it would not comment on full-year results before the annual board meeting at the end of May. The company said: "We understand that analysts are reviewing their own calculations."

Olivetti's board is to meet next Tuesday to make its first evaluation of 1995 results.

It said the decision to hold next week's meeting was prompted by the need "to show an even greater responsibility to be open about our operations" since last month's rights issue which resulted in foreign investors owning about 70 per cent of the company.

Although brokers were reluctant to be named because of the sensitivity over Olivetti's results, a Milan broker said: "We know that there will be losses, probably of around L1,250bn, for 1995 but there is a growing feeling that the company's net debt is higher than many people expected, and that has been the Achilles heel for some time."

Another Milan broker said: "The market has had to work for several weeks on nothing other than claims about the success of the rights issue. As soon as lower research house estimates were put out earlier this week it was easy for the price to be pushed down."

Last September Olivetti – which has been beset by troubles in its personal computer division – revealed first half net losses of L1,067bn, including a L900bn charge for restructuring costs in the second half. The company's net losses totalled L678bn in 1994.

Mr Carlo De Benedetti, chairman, has said he believed the share price fall was caused partly by the strengthening of the lira, allowing foreign investors to take profits, and partly by a market perception that restructuring had proceeded more quickly than expected, putting a greater weight on 1995 costs and reflecting positively on 1996 results.

Mr De Benedetti has said that the rights issue marked the transformation of Olivetti from "a family-controlled company into a real public company".

See World Stock Markets

Restructuring pays off as Banesto returns to profit

By David White

Banco Español de Crédito (Banesto), the Spanish bank which underwent a Pta500bn ($4bn) rescue two years ago, yesterday reported a return to profit with consolidated earnings of Pta21.4bn compared with a Pta17.8bn loss in 1994.

Mr Alfredo Sáenz, chairman, said he expected further improvement of between 30 and 50 per cent this year, but the bank was not due to resume dividends before 1998.

The group, in which Banco Santander now holds 50 per cent, quadrupled operating profits in the year to Pta28.5bn from Pta6.8bn. Deposits rose 7.5 per cent to Pta3,141bn.

Total loans fell 4 per cent to Pta1,841bn, but Mr Sáenz said this partly reflected divestment of interests to which the bank had made foreign currency loans. Lending in pesetas was 5 per cent up at Pta1,327bn.

The parent bank showed net profit of Pta 20.2bn against a 1994 loss of Pta12.5bn. Mr Sáenz emphasised that the process of reorganising the bank, in which the Bank of Spain intervened at the end of 1993, was "a long-distance race" over five years.

The main effort now focused on getting rid of unproductive assets, restructuring the loan portfolio, recovering debts and cutting costs. This initial phase was now half-way through, he said, and should be virtually completed next year.

Non-performing loans fell 23 per cent last year to Pta382.4bn. This was was 77 per cent covered by provisions, compared with less than 50 per cent two years ago. Mr Sáenz said the aim was 90 per cent cover next year.

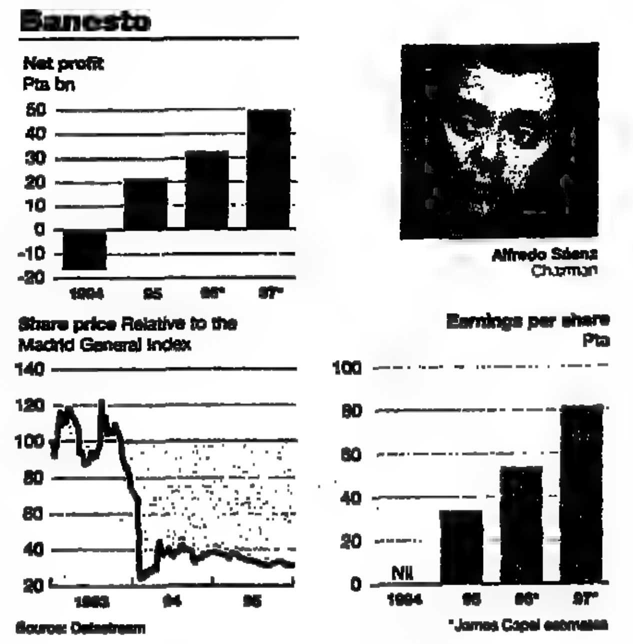
The bank had also made "spectacular progress" in cutting costs, which were down to Pta120.7bn in 1995 from Pta141.2bn two years before.

However, he said the recapitalisation and support package drawn up two years ago might have fallen somewhat short of the group's real needs.

In addition to the Pta605bn worth of hidden losses estimated at the time by the Bank of Spain, the group had set aside Pta19.6bn in the last two years in further provisions for loan risks and had suffered losses of Pta13.7bn from the sale of subsidiaries and portfolio holdings.

Divestments last year totalled Pta174.6bn – principally from the sale of Banesto's 50 per cent stake in Banco Totta e Açores to Portugal's Champalimaud group – after Pta102.5bn worth of sales in 1994. Mr Sáenz forecast a further Pta100bn of divestments this year, mostly in real estate.

COMPANY PROFILE: Banesto



The group's workforce fell to 15,900 last year, from more than 20,100 at the time of the 1993 crisis.

Mr Sáenz said the group would concentrate on its Spanish banking business and aimed to raise its 6.5 per cent share of domestic lending to more than 10 per cent in 1998.

QVC set to tap German TV shopping market

By Judy Dempsey in Berlin

QVC, the US-based tele-shopping group, is poised to enter the German market and tap what is still an under-developed retailing and consumer sector.

QVC would be the second tele-shopping company to start broadcasting in Germany. It has still to clear regulatory hurdles but officials are confident that permission will be granted.

Mr Wolfgang Clement, the economics minister of North-Rhine Westphalia, Germany's most populous state, yesterday confirmed that QVC would be located in the region, which is fast becoming an important media centre.

In the start-up phase, QVC intends to create 209 jobs, rising to 2,000 by the end of the decade, and has earmarked investments of DM110m ($75m).

However, the law governing home tele-shopping in Germany is still unclear. The US group will require a licence from the local broadcasting authorities to gain access to one of the normal frequencies or transmit via satellite.

"We are in the process of discussing this licence for QVC," North-Rhine Westphalia's broadcasting authority said. "Even if we grant it, the federal law which still restricts home shopping will have to be changed." Under current legislation, tele-shopping broadcasts are restricted to one hour per day.

But a decision last year by the Bavarian broadcasting authorities to allow HOT, a joint venture founded by Quelle, Germany's largest mail-ordering service, and Pro 7, the Munich-based independent commercial television network, to broadcast has increased the pressure to amend the law.

Retailing analysts believe that over the next five years, tele-shopping in Europe could generate turnover of DM1bn while the German market could be bringing in about DM500m over the same period.

Last year, turnover from the North-Rhine Westphalia's media, multimedia and advertising industry was DM61bn. The sector employs more than 126,000 people, placing it in third place behind the chemical and textile industries.

Repsol predicts 21.6% increase in earnings

By David White in Madrid

Repsol, the Spanish oil, gas and chemicals group in which the Spanish government is selling more than half its remaining 21 per cent stake, yesterday issued provisional estimates showing a 21.6 per cent rise in consolidated net earnings last year to Pta117.7bn ($973m) from Pta96.9bn in 1994.

The result was close to market expectations. Per-share earnings rose from Pta322.68 to Pta392.38.

Repsol announced its earnings estimate as it made its first presentations to financial institutions on the forthcoming global share offer, expected to raise about Pta130bn. It will be the second Repsol placement in less than a year and is set to reduce the government stake from 21 per cent to 10 per cent.

The company said its earnings growth came principally from gas and chemicals activities. Operating profits from chemicals soared 171 per cent to Pta52.86bn, in spite of tightening margins in the last quarter. Operating earnings from gas were up 21 per cent to Pta57.5bn.

These sectors offset lower earnings from refining and marketing, where operating profits fell from Pta89.4bn to Pta76.0bn. The company said petrol and diesel sales rose 7.7 per cent, but did not provide any turnover figures.

Exploration and production operations, meanwhile, produced profits 11 per cent up at Pta19bn. This partly reflected gains from the sale of exploration assets in Angola.

Repsol shares closed 0.2 per cent down at Pta4,065 on the Madrid market yesterday.

Applications for the privatisation issue opened on Wednesday. Half of the 33m shares are destined for retail investors in Spain. Individual investors will benefit from a 4 per discount and a rebate of up to 10 per cent if the shares fall in the first 12 months after the issue. The final price is due to be set on February 5.

Mr Oscar Fanjul, Repsol chairman, said the government's holding agency, Sepi, had abandoned proposals to try to form a French-style hard core of banking shareholders.

The abortive proposal reflects differences within the Socialist administration over the Repsol privatisation.

The original Sepi plan was for a 7 per cent capital issue, reserved for institutional investors. The amount was raised to 11 per cent at a cabinet meeting a week ago.

Générale des Eaux sees FFr3bn loss

By David Buchan in Paris

Générale des Eaux, the French construction and utilities group, yesterday warned of higher than expected net losses of FFr3bn-FFr3.5bn ($700m) for 1995, because disposals were not proceeding fast enough to offset problems in property and construction.

The group, which recorded a net profit of FFr3.3bn in 1995, signalled last autumn that it would fall in to the red for the year – its first loss – by announcing real estate losses and provisions of about FFr7bn.

But Mr Jean-Marie Messier, the group's number two and designated heir to Mr Guy Dejouany, who is retiring this summer, had said the 1995 loss might be "some hundreds of millions of francs", adding, though, that it could go higher depending on the number of big asset sales.

Générale des Eaux sold FFr5bn of assets last year, but its only big sale was of its US bottled water operation to Suntory of Japan for $290m.

The group yesterday confirmed its 1995 property losses and provisions of FFr7bn at a shareholders meeting called to approve the group's absorption of the Georges V real estate company, part of Mr Bernard Arnault's LVMH group, which now becomes a shareholder in Générale des Eaux.

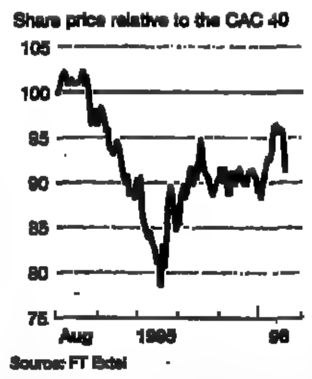
The group said its other particular problem was a loss of FFr500m last year from the operations of its second biggest construction subsidiary, CBC. The loss was caused by over-expansion in Germany, and in particular to difficulties in completing the Friedrichstadt Passagen building in Berlin.

At the end of a day on which Générale des Eaux's shares fell on the Paris bourse, the group announced a FFr130m bid for the 36 per cent of CBC shares that it does not already own, in order to assist restructuring of the construction company. It is offering minority shareholders FFr105 a share, which is 15 per cent above the current price and 19 per cent above the average for the past three months.

Several Générale des Eaux shareholders complained yesterday about the group's property ventures, applauding one of their number who complained to the management that "every time you stray [from] your original business, you blunder". The FFr7bn property losses and provisions were on income last year of FFr8.1bn from a net property stock of FFr14bn.

But the group forecast a "clear rebound" this year, to bring profits back in line with the FFr3.2-FFr3.3bn of 1993-94.

Générale des Eaux



It hoped to limit this year's property losses to FFr1bn and was optimistic about its general utilities activities, particularly in water treatment and mobile telephones.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.01.96: Pool purchase price £/MWh	Final Prices for Trading on 22.12.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.95	11.99	13.19
0100	12.71	20.07	21.21
0130	12.81	26.00	27.20
0200	12.81	26.00	27.20
0230	12.78	20.01	21.21
0300	[illegible]	20.01	21.21
0330	[illegible]	20.01	21.21
0400	12.71	11.99	13.19
0430	8.96	11.99	13.19
0500	8.96	11.99	13.19
0530	8.94	13.30	14.49
0600	8.93	14.80	16.00
0630	8.93	14.01	15.21
0700	8.94	14.80	16.00
0730	12.75	14.01	15.21
0800	12.89	14.80	16.00
0830	13.07	15.00	16.20
0900	13.65	15.01	16.21
0930	14.07	20.01	21.21
1000	14.10	20.01	21.21
1030	14.10	20.01	21.21
1100	14.08	20.00	21.20
1130	14.07	15.01	16.21
1200	14.07	14.80	16.00
1230	14.08	14.13	15.33
1300	14.04	14.13	15.33
1330	14.01	14.13	15.33
1400	13.40	14.13	15.33
1430	13.06	14.13	15.33
1500	13.06	14.13	15.33
1530	9.01	9.05	9.05
1600	13.07	9.05	9.05
1630	13.76	20.47	21.67
1700	40.61	15.80	17.07
1730	59.20	20.68	21.87
1800	59.12	20.68	21.97
1830	42.92	20.53	21.76
1900	40.23	20.47	21.67
1930	17.59	20.46	21.66
2000	14.42	14.01	15.21
2030	14.03	14.13	15.33
2100	14.03	13.66	14.86
2130	14.03	13.03	14.22
2200	9.03	13.03	14.22
2230	8.95	9.02	9.02
2300	8.94	8.93	8.93
2330	8.94	8.93	8.93
2400	8.93	8.81	8.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.89/MWh becomes 1.989p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6790 between 8:30am and 5:15pm Monday to Friday.
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AMP 'task force' to consider demutualisation

By Nikki Tait in Sydney

The Australian Mutual Provident, Australia's largest life insurance company, said yesterday it was setting up a formal "task force" to review the group's corporate structure, and consider whether it should demutualise. It is likely to present its findings towards the end of the year.

Demutualisation – the process by which a mutual insurer, owned essentially by its policyholders, turns itself into a conventional, shareholder-owned company – has become a trend internationally in recent years, and a number of Australian insurers have already taken this path.

National Mutual, AMP's big rival, is committed to demutualising by 1997, as is Colonial Mutual, at a slightly later date. The NRMA, one of the country's big motor insurers, also planned to go this route until vigorous opposition from some members derailed the scheme.

The AMP, which owns the Pearl insurance business in the UK as well as London Life, first proposed the demutualisation option a year ago. At that stage, Mr George Trumbull, the US insurance executive brought in to head the AMP two years ago, said that there was a 50:50 chance the institution could become a shareholder-owned company within five years.

Unlike some of its competitors, the AMP has no urgent need to shore up its balance sheet or raise new funds. But Mr Trumbull has argued that a more time-sensitive, commercially-driven culture could be advantageous for the group – though he has also said no decision would be taken lightly.

Yesterday, the AMP said its board had reviewed preliminary internal studies, and decided to "undertake a comprehensive assessment of the options". Mr Trumbull stressed the group was "not committed to change simply for change's sake" and that no decisions on a long-term course of action had yet been taken.

The AMP task force will be headed by Mr Trevor Thompson, former general manager of the corporate superannuation division, and is likely to call in a range of external advisers in drawing up its recommendations. It will look at all options open to the group in terms of corporate structure, not just demutualisation.

The AMP, besides being Australia's biggest life office, is one of the country's largest equity market investors. Funds under management at end-1994 were A$73.7bn (US$54.8bn).

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Anglo American puts 10,000 mining jobs on the line

By Mark Ashurst in Johannesburg

Anglo American Corporation warned yesterday that some 10,000 mining jobs were at risk unless there were significant improvements in costs and productivity.

Mr Bobby Godsell, chief executive officer of Anglo American's gold and uranium division, warned that without these improvements, five shafts would be closed before the end of March at Freegold, the most troubled of Anglo's gold mines.

The warning, which comes in the wake of 3,500 redundancies at Freegold late last year, came on the day the company announced an 8 per cent rise in after-tax profits at its gold and uranium mines. Profits in the three months to December 31 rose to R144.8m ($39.75m) from R134.1m in the preceding quarter.

Negotiations between organised labour and management are due to resume next week. "It is my realistic hope that this meeting will produce a commitment to make cost and productivity changes – more shafts, more blasts, more gold – which will extend their lives," said Mr Godsell.

Freegold, the world's biggest gold mine, reported a loss of R5.1m for the past three months after reporting a R12m profit in the previous quarter.

Mr Godsell said the mines had "insured future operations" by returning to the forward sales market. The hedging covers more than 80 per cent of this year's total gold production of about 220 tons.

Capital expenditure for the quarter fell 6.8 per cent to R203.4m from R218.3m. Overall gold production slipped 2 per cent to 56,476kg from 57,613kg, although average revenue rose 1.7 per cent on the previous quarter to R46,273 a kilogram.

● JCI Group gold mines yesterday reported a 3 per cent fall in after-tax profits to R79.8m, compared with R82.3m in the previous quarter. This was due largely to lower yields across the group and higher working costs, which offset a R5m gain in gold revenue, to R523.8m, on the back of higher average gold prices.

See World Stock Markets

Gold Fields losing its glister in the new South Africa

Despite owning two of the richest mines in the world, the group faces problems, writes **Philip Gawith**

Gold Fields of South Africa, once the jewel of the South African mining industry, is increasingly looking like a prime takeover candidate, ripe for restructuring.

In an interview, Mr Alan Wright, GFSA chairman, made clear that "business as usual" would not be enough to overcome the company's problems.

Despite owning two of the richest gold mines in the world, Driefontein and Kloof, GFSA is in trouble. Mr Wright concedes the group's flagship mines are less profitable than they should be. Its venture into platinum has proved embarrassing, and the company's paternalistic ethos appears at odds with modern South Africa.

Digging deep: GFSA must make greater efforts to find new ore resources Picture: Glyn Genin

Nevertheless, the barriers to rationalisation are immense. South Africa's ownership structures tend to be complicated, but even in the country's incestuous corporate world, Gold Fields represents the ultimate Gordian knot. It has been the scene of some of most bitter clashes in the country's financial history, and the three post-war giants of South African business – Mr Harry Oppenheimer, Mr Anton Rupert and Mr Donald Gordon – have each been involved.

Mr Oppenheimer spent nine years trying to gain control of Consolidated Gold Fields (then parent of GFSA), starting with a "dawn raid" in February 1980 and culminating in an acrimonious, and unsuccessful, bid by Minorco, Anglo's offshore associate, in 1989. He wanted to gain control of Gold Fields, which was 46 per cent held by ConsGold, to keep it out of the hands of rival mining house General Mining (forerunner of Gencor), thus perpetuating Anglo's dominant status in the local gold industry.

Soon after Minorco's failed bid, ConsGold fell into the hands of Lord Hanson, who promptly sold GFSA.

The result is a complicated share structure through which GFSA is controlled by a company called GFSA Holdings. This, in turn, is owned 40 per cent by the Rembrandt Group (the Rupert family), 40 per cent by Asteroid (in effect, Gold Fields' incumbent management) and 20 per cent by Liberty Life (Mr Gordon). Anglo American and its associates, meanwhile, hold a 25.8 per cent direct stake in GFSA.

Even this does not do full justice to the complexities of the situation. Anglo, despite its large stake, does not have a seat on the board – a legacy of past hostilities. Mr Gordon and the Rupert family, meanwhile, fell out badly over this deal, having previously been close business partners.

Only Rembrandt is in a position to do anything about the situation. Asteroid lacks the incentive to effect reform, while Liberty and Anglo lack the power.

But change may not be far off. The recent merger of Rembrandt's tobacco interests with those of Richemont, the offshore company controlled by the Rupert family, may herald a wider restructuring of the Rembrandt group. Mr Anton Rupert has said that a company needs a "locomotive" to drive profits. In Rembrandt's case this was tobacco. But with that locomotive decoupled, a new strategy will be required.

A changing of the guard at GFSA may also herald further developments. Last October, Mr Robin Plumbridge was replaced, after 15 years as GFSA chairman, by Mr Wright. Mr Plumbridge fought fiercely to maintain Gold Fields' independence, to the point where critics claimed the company had become a personal fiefdom. A new face could help break the log-jam.

A third agent for change is that GFSA's profits from gold are under unprecedented pressure.

Finally, Gold Fields is seen as having a management style that blends authoritarianism and paternalism in a way unsuited to the "new South Africa". Political and investor pressure on this front could also act as a spur.

Mr Wright says he has two main objectives. First, he must rationalise the South African gold interests so they can be mined more profitably. Second, he must make greater efforts to find new ore resources.

The flagship gold mines of Kloof and Driefontein continue to make profits, but Mr Wright concedes these are "only half what they should be, and all mines are running below design capacity". He blames this on the country's political upheaval, although some believe GFSA's hardline anti-union policy has made it the victim of industrial sabotage.

The problem is that the main challenge facing the gold mining industry is in industrial relations – an area in which GFSA lags well behind many of its competitors.

Another important challenge is to improve investor relations. Mr Wright is candid: "I have absolutely no doubt that we are on the lowest rung on the ladder they can put us on."

It must be doubtful, though, whether Mr Wright and other senior managers, steeped in the Gold Fields culture, have the ability to make the sort of far-reaching change that the investment community is demanding.

Mr Wright concedes that "Gold Fields basically has not grown for years now". He attributes this in part to the flat gold price, and an inability to believe that it would not turn the corner. Also, unlike some of its competitors, Gold Fields has no significant industrial investments to cushion the impact of soft gold prices.

Nevertheless, Mr Wright has high hopes that the Tarkwa gold project in Ghana will provide significant profits. Mr Michael Coulson, analyst at Nedcor Securities in London, believes it has the potential to provide income "not a long way short" of the R100m ($27.45m) the Kloof mine contributed to GFSA in 1995.

Mr Wright is also hopeful he will achieve a turnround at Northam, which is now running at a break-even level. "Maybe we won't be able to, but I would still dearly love to prove them [the analysts] wrong."

He also believes Rembrandt, Liberty and GFSA are partners, and would obviously like the status quo to continue. But he concedes a bid is a possibility. "Everything eventually has its price, but I think we would be looking at an enormous premium to break the partnership."

Of the local mining houses, he makes clear he believes JCI (whose gold division has been put up for sale by parent Anglo American) would provide the closest cultural fit, but says Gold Fields has not looked seriously at this option.

This is partly because such a deal could well give Anglo total control of GFSA (which GFSA has resisted for years), but also because Anglo has made clear JCI's sale will be an "affirmative action" one, which seeks to advance black business interests.

Mr Wright says Gold Fields has looked at doing a deal with Gencor (Rembrandt has a 13.7 per cent stake, and analysts have often floated the prospect of it rationalising its mining investments in GFSA and Gencor) but he believes the corporate cultures are different. GFSA's growth has been largely organic, while Gencor, especially under Mr Brian Gilbertson, the current chairman, has become more acquisitive.

He concedes poor performance has, "from time to time", placed the partnership under stress. "Maybe the important thing is we appear to have overcome it," he adds.

A significant rally in the gold price could ride to the rescue – the recent spike has helped GFSA's share price – but the more likely scenario is that investors will have to exercise patience and watch for the Ruperts' plan to unfold.

NEWS DIGEST

Strong demand for Moroccan issue

The Moroccan government has raised Dh1.76bn ($207m) in an oversubscribed issue of privatisation bonds, the ministry of privatisation announced yesterday. The three-year state guaranteed bonds, issued for the first time in Morocco, entitle holders to convert the bonds into shares in forthcoming privatisations on the stock exchange, at which time the yield will be calculated at 8 per cent, or hold them to maturity for an 8.5 per cent yield.

The bonds allow the government to book in revenue from privatisation before the sales take place, and will put pressure on government officials to accelerate the privatisation programme. The ministry of privatisation had originally planned to issue Dh1.5bn worth of bonds but increased the size of the issue in the face of more than Dh1.9bn in demand.

Individuals bought 85 per cent of the issue while mutual funds and other institutions picked up the rest. Moroccans living abroad, who were exempt from withholding tax, were among the most enthusiastic buyers of the bonds, accounting for 25 per cent of the total.

Mr Abderrahmane Saaidi, the minister of privatisation, has said he intends to issue an international tranche to be sold by Morgan Stanley, Nomura and Paribas. However, he has yet to secure the consent of the ministry of finance, which sees the privatisation bonds as competing against Treasury bills.

Bondholders were yesterday given a first taste of what they may soon be able to convert their shares into. The ministry said Samir, the country's largest oil refinery with an 82 per cent share of the fuel oil market, would be privatised through the stock exchange on March 4. *Roula Khalaf*

Mayne Nickless units for sale

Mayne Nickless, the Australian transportation, security and healthcare group, said yesterday it was putting its UK-based armoured car division, which trades under the Security Express and Armaguard (UK) names, up for sale.

The business, known as UKAC, employs around 2,800 people and had turnover in the year to end-June of about A$140m (US$103.7m). It delivers and collects cash from banks and other financial institutions, and also services automatic teller machines.

Mayne's decision to sell the business comes as no surprise, given that it has been steadily winding down its security interests outside Australia. It has already sold its interest in a Belgium-based security business, its Spanish security operations and its UK-based electronic security unit. It also sold its general security businesses in North America to Rentokil of the UK for A$70m last August. *Nikki Tait, Sydney*

Thailand bank deal approved

Directors of Thai Danu Bank, Thailand's 12th largest bank, yesterday approved the purchase of 20 per cent of the bank by Finance One, the country's largest finance company for approximately $135m.

While not an outright merger, the $8.1bn in combined assets of the two institutions make would make it the seventh largest bank in Thailand. Finance One, led by Mr Pin Chakkaphak, will be given two seats on the bank's five-member executive committee. Mr Pin has been actively pursuing a major stake in a Thai commercial bank for more than a year.

Thai Danu Bank will issue 30m new shares, 24.2m of which will be purchased by Finance One at Bt140 ($5.64) each. The remaining 5.8m shares will be offered to leading Thai Danu shareholders at the same price, thus allowing them to maintain majority control of the bank.

The purchase is subject to regulatory approval but both the finance ministry and the Bank of Thailand, the country's central bank, have said they will give the venture the go-ahead.

Thai officials are eager to promote financial mergers ahead of increased domestic and foreign competition in the country's central bank. *Ted Bardacke, Bangkok*

Sony invests in Jackson venture

Sony Music Entertainment (Japan) said yesterday it would invest $44.6m in Sony/ATV Music Publishing, a joint venture by Sony Corp's US unit and singer Michael Jackson. Sony Music said the impact of the investment on its parent and group earnings would be small for the time being.

Sony Music is 71 per cent owned by Sony Corp; Sony/ATV is a music publishing company which owns copyright and publishing rights of many pieces of music, including Beatles' songs.

Sony Music said it was planning to invest more in the Sony/ATV venture in the future, but it did not elaborate. *Agencies, Tokyo*

COMPANY NEWS: UK

Founder set to realise £40m from UniChem's £544m takeover offer

Lloyds Chemists agreed bid

By Peggy Hollinger

The chairman of Lloyds Chemists, Mr Allen Lloyd, is set to realise £40m from UniChem's £544m ($838m) takeover of the pharmacy chain he founded. The agreed bid by the pharmaceuticals wholesaler and retailer was announced yesterday.

Mr Lloyd stands to make £38m from the purchase of his 7.5 per cent stake. As outgoing chairman, he is also eligible for a further pay-off of about £2m to cover his two-year contract and associated benefits.

Mr Lloyd, a qualified pharmacist, is bowing out after 20 years of building up Britain's second largest pharmacy chain with 924 outlets. Family illness and a fraught relationship with investors are believed to be behind his decision to sell.

UniChem has been courting Mr Lloyd since March, when Lloyds stunned the City with provisions to cover losses and closures in its drugstores side.

UniChem is offering 232p in cash and four new shares for every three of Lloyds. This values Lloyds shares at 422p, against last night's close of 401p, up 35p. It is also offering 26.89p cash and 0.8603 UniChem shares for every Lloyds preference share. There is a partial cash alternative of 600p in cash and 2.327 new UniChem shares for every three of Lloyds, and 129.03p in cash plus 0.501 shares for every preference share.

Mr Jeff Harris, UniChem chief executive, said the combination of the two groups would create "one of Europe's strongest healthcare companies" with turnover of about £2.5bn.

With more than 1,300 pharmacies the enlarged group could expand in areas such as own-label products, he said. Margins would also benefit from enhanced buying power.

The market marked UniChem's shares up 19½p to 258½p.

The Office of Fair Trading yesterday began investigating whether the deal should be referred to the Monopolies and Mergers Commission. The merged group will control almost 40 per cent of the drugs wholesale market, but just 11 per cent of the retail pharmacy market.

Malcolm Watson

Jeff Harris, left, and Geoff Cooper, finance director, creating a group with a turnover of £2.5bn

Heron looking to make large acquisitions

By Simon London
Property Correspondent

Heron, the private property and trading group rescued by a group of US investors in 1994, is back on the acquisition trail and looking for deals valued at hundreds of millions of pounds. Mr Gerald Ronson, the company's founder and chief executive, said that Heron was looking to buy a trading business outside the property sector as well as expand its property interest in the UK.

The company is also planning to make significant property acquisitions in continental Europe, possibly through joint ventures with financial institutions. It hopes to form partnerships with French and Spanish financial institutions to manage their distressed property assets.

"We are looking for very large transactions," said Mr Ronson in a rare interview. "We are not interested in deals of £10m or £20m but many hundreds of millions. No transaction is too big if it is priced right."

In the 1970s and 1980s, Mr Ronson built Heron into the UK's second largest private company, with interests ranging across commercial property, financial services, housebuilding, petrol retailing and vehicle distribution.

The company ran into financial difficulties in the early 1990s, shortly after Mr Ronson had served a six month prison sentence for his part in the share support operation which was at the centre of the Guinness affair.

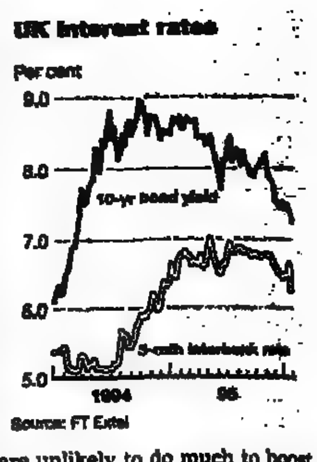
Most of Heron's trading businesses were sold before the company was rescued by an investor group including Mr Rupert Murdoch, the media tycoon, and Mr Craig McCaw, the telecommunications billionaire. Mr Ronson, whose family once owned all of Heron, stayed as chief executive on a salary of £500,000.

Although Heron's net worth has dwindled to about £200m, Mr Ronson said that the company's shareholders were prepared to inject significant additional equity to finance acquisitions.

LEX COMMENT

Interest rates

On its own, yesterday's quarter-point cut in UK interest rates hardly constitutes reckless abandon. But the Bank of England's deafening silence speaks volumes. The markets can hardly be blamed for drawing the obvious conclusion: politics, not economics, is guiding monetary policy. The economic case for the cut is at best doubtful. Certainly the economy has slowed, but rate cuts are unlikely to do much to help. Exports, the biggest worry, need further rate cuts in Germany and France, not Britain. And with rates already low, further UK cuts are unlikely to do much to boost investment or the housing market. What might benefit is consumer spending. But as yesterday's respectable retail sales figures confirm, that is already growing healthily.



Of course, despite yesterday's inching upwards, underlying inflation remains low. And even if, as the markets expect, the chancellor cuts rates by a further half-point before the summer, it is not going to generate a 1980s-style boom, which is why the gilts market and sterling have taken yesterday's cut in their stride.

So why worry? The answer is that it is at precisely this point in the cycle – when growth is slowing and inflation seems tamed – that big mistakes are made. And as the government knows to its cost, it is no mean feat to bring inflation down once it has climbed.

If investors want to test the government's anti-inflation rhetoric, the question they should ask is: would the Bundesbank have cut? The answer is all too clear.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Albion	Yr to Sept 30	25.7	(25.6)	0.696L♠	(0.624♠)	17.9L	(13.6)	1	Mar 21	1.8	1.8	3.2
Brooke Tool	Yr to Sept 30	19	(16.2)	0.41	(0.207)	1.1	(0.6)	0.2	Apr 10	0.1	0.2	0.1
Greenwich Resources	Yr to Sept 30	0.048§§	(0.109)	0.214L	(0.185L)	0.2L	(0.2L)	-	-	-	-	-
Belton ‡	6 mths to Oct 31	66.4	(61.5)	3.81	(2.71)	5.36	(3.72)	0.95	Apr 9	0.8	-	2.5
Hill & Smith	Yr to Sept 30	87.8	(76.6)	6.53	(4.75)	10.78	(8.64)	4.1*	-	4.1	6.2*	6.2
Magnum Power §	6 mths to Nov 30	0.339	(0.03)	1.37L	(1.21L)	3.07L	(3.36L)	-	-	-	-	-
McKay Securities	6 mths to Sept 30	4.53	(4.64)	1.4	(1.46)	3.9	(4)	2.1	-	2.1	-	5.2
Neotronics Tech	Yr to Sept 30	20.1	(19.9)	0.68L	(1.08)	2.69L	(3.62)	nil	-	0.85	0.85	1.7
Premier Land	Yr to Sept 30	-	(-)	1.98L	(0.47)	0.81L†	(0.29)	-	-	-	-	-
Tottenham Hotspur	6 mths to Nov 30	20.1	(11.7)	7.14	(2.06)	34.1	(8.6)	1.5	Feb 23	nil	-	3
Vega	6 mths to Oct 31	7.26	(5.71)	1.27	(1.02)	5.9	(4.76)	1.75	Feb 27	1.4	-	4.2
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberforth Smaller	Yr to Dec 31 ★	214.4	(177.3)	2.93	(2.42)	5.2	(4.29)	3	Mar 1	2.5	5.1	4.6
Brunner	Yr to Nov 30	294.04	(254.25)	4.02	(3.75)	6.26	(5.86)	3.2	Apr 9	3	5.9	5.5
City of Oxford		-		-		-		1.3#	Feb 29	1.2	-	5.2
[illegible] Income	9 mths to Dec 31	83.52	(90.18)	2.67	(1.48)	6.92†	(6.45)	2**	Feb 28	2	-	8.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. §§Operating income. †On increased capital. ‡Irish currency. §USM stock. ★Comparatives restated. #Third interim; makes 3.9p (3.6p) to date. **Third interim; makes 5.5p (5.25p) to date.

US sales decline for Laura Ashley

By Neil Buckley

Laura Ashley, the clothing and furnishings group, yesterday became the second UK retailer in two days to report a heavy sales fall in the US – although UK and continental European growth was encouraging.

In the eight weeks to Christmas, group like-for-like sales (excluding store openings and closures) grew by 4.8 per cent.

UK and Ireland sales rose 12.2 per cent on a like-for-like basis, with continental European sales up 7.1 per cent. North American sales, however, fell 7.7 per cent.

For the 24 weeks from July 30, group like-for-like sales increased 1.7 per cent.

Sales in the UK and Ireland were ahead by 3.7 per cent and continental Europe by 4.5 per cent. North America was down 5.7 per cent.

Ms Ann Iverson, chief executive, said conditions in the US were tough, with competitors such as The Gap, Ann Taylor, The Limited and Talbots reporting very mixed performances.

But she admitted mistakes had been made. "North America was driven by a very poor performance in garments," she said. "They were selected incorrectly, the product was not well planned."

Ms Iverson plans to increase the overlap between the North American and UK-continental European range – with the latter performing strongly. She is also reviewing the supply chain, distribution and manufacturing – determining the future of the company's own factories – as well as of the US store portfolio.

Granada hopes to find single buyer for Exclusive and Meridien hotels

By David Blackwell and Scheherazade Daneshkhu

Granada, which is waging a hostile £3.9bn bid for Forte, hopes to sell most of Forte's 103 up-market Exclusive and Meridien hotels to a single buyer.

Exclusive and Meridien have a book value of £1.62bn and such a sale would be one of the largest single transactions in the international hotels market. It would also be the most tax-efficient way of completing such a large disposal.

It is understood that Granada would hope to make the sale within six months of acquiring Forte, the UK's largest hotels company.

However, one leading hotel consultant said last night that while many companies might be interested in buying parts of the businesses, he doubted whether a single purchaser would be prepared to buy such a large and varied portfolio.

Granada's bid for Forte, which reaches its final closing date next Tuesday, is highly leveraged and the sale of the hotels would quickly reduce the company's initial high level of gearing.

Both groups will today meet their biggest single shareholder – Mercury Asset Management – in a last ditch attempt to win support. Many observers believe MAM will back Granada.

Shares in Granada rose above 700p yesterday, before retreating to close up 3p at 696p – just 1p below the level before the bid was announced last November.

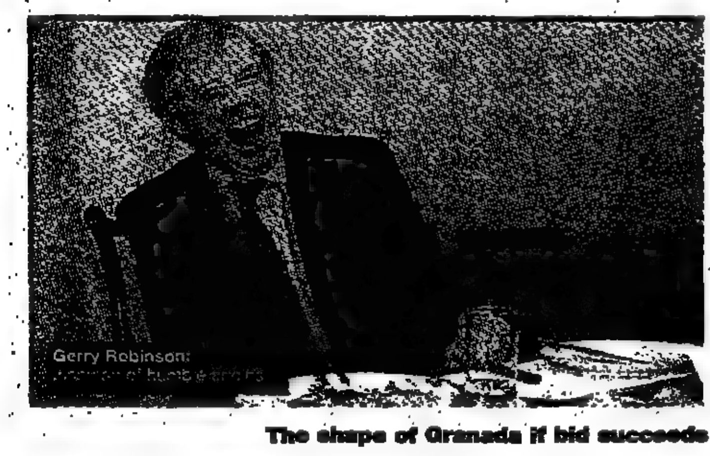
Forte shares, which were heavily traded yesterday, closed up 4p at 381½p. At this level buyers who believe that Forte will lose the battle and are preparing to accept Granada paper are effectively paying 673p a share for Granada.

The Savoy hotel group, in which Forte has a 68 per cent holding, closed up 10p at £11.30 after rising 100p on Wednesday. Analysts said the rise has been prompted by speculation that Granada had found a buyer for the stake.

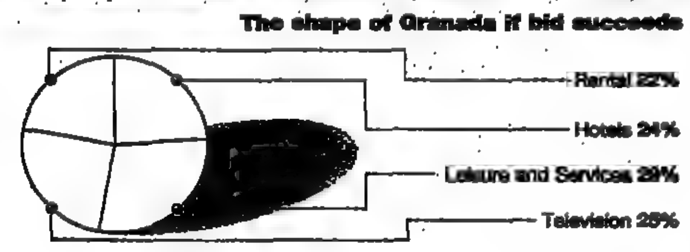
Over the past week Forte has questioned Granada's claim that it would not pay any tax on the gain arising from its proposed sale of Forte assets. Forte estimates the tax bill at £400m.

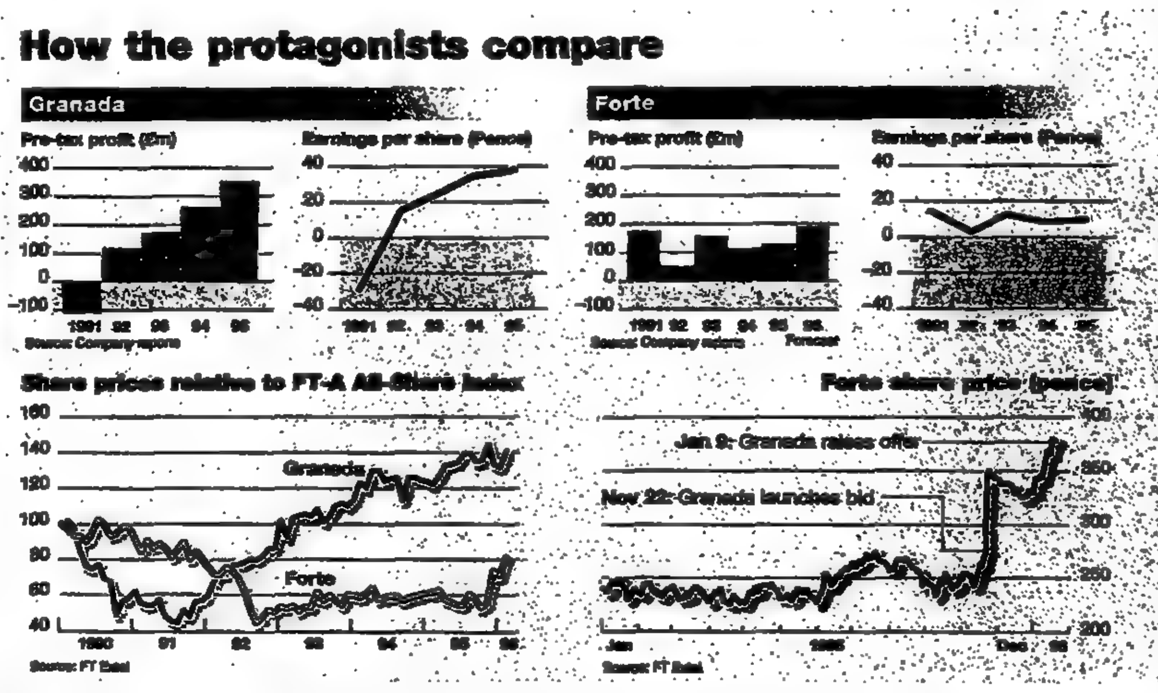
However, Granada believes the disposals would not lead to a gain if the hotels were sold in the form of Forte plc.

After MAM, Granada is the biggest shareholder in Forte with 9.98 per cent of the company.



Gerry Robinson:





Sir Rocco Forte

Gerry v Rocco: the final countdown

As decision day approaches three factors are thought likely to be uppermost in the minds of investors

It is decision time for shareholders in Forte. The most colourful and hard-fought takeover battle in Britain this decade reaches a climax next Tuesday, when Granada Group will discover whether it has triumphed or failed in its £3.9bn bid for the hotels group.

Over the next few days, amid a flurry of last-minute City presentations by both companies, investors in Forte will be deciding which chief executive to support:

Mr Gerry Robinson, a fast-talking Irishman of humble origins with an infectious laugh, who has overseen a sharp rise in profits and share price since he became chief executive of Granada in 1991: or Sir Rocco Forte, the only son of Lord Forte, who founded the company by opening a milk bar on London's Upper Regent Street in 1935. Forte's profits record and share price have been lacklustre over the past five years.

This contrast between the two men, and their company's fortunes, appeared to make Forte a relatively easy target when Granada launched its bid on November 22.

But Forte and its investment banking advisory team fought back with a surprisingly powerful defence campaign. This involved the quick sale of businesses accounting for almost half total turnover; a programme to buy back 20 per cent its share capital and distribute to shareholders its 68 per cent stake in the Savoy hotel; a promise of sharply increased profits and dividends; and some strong criticism of Mr Robinson's management style and strategy.

However, Granada regained the upper hand with an increased offer and a smooth presentation of its plans to investors and City analysts. It then entered the market this week to buy nearly 10 per cent of Forte's stock, while straw polls suggested it would get sizeable support from some large City shareholders.

Forte's largest shareholder, Mercury Asset Management, with about 15 per cent of the equity, has not shown its hand. But it has been an enthusiastic supporter of Mr Robinson in the past and its vote, coupled with Granada's own stake, would carry him a long way towards victory.

However, the battle is far from over. The Forte family and directors speak for 8 per cent of the shares, and private investors, who tend to stick with management, have a further 15 per cent. As investors weigh up their decision over the next few days, three factors are likely to be uppermost in their minds:

● **Has Granada offered enough?**

It is a solid offer, but not necessarily a knock-out. The cash offer is 32 per cent above Forte's share price immediately before the bid was launched and represents 35 times forecast earnings this year, or 21 times the earnings of the stripped-down hotels group Forte plans to become.

The terms are four Granada shares and £23.25 in cash for every 15 Forte shares, plus an additional 705p, which can be taken in cash or in the form of a special dividend of 47p a share from Forte. Tax exempt shareholders would be entitled to a tax credit worth an additional 11.75p a share. There is a cash alternative of 362p. Granada's shares have risen strongly this week – unusually for a company which looks like winning a bid – and last night its cash and shares offer was worth 387.6p a share.

● **How would shares in an independent Forte fare?**

Granada's strongest weapon has been Forte's poor profits and share price performance in recent years. "We've held Forte for a long time because we regarded it as a surrogate property play," said one institution. "But we wouldn't dissent from the City view that the company hasn't made its assets sweat and hasn't produced sparkling returns."

However Sir Rocco insists this has been changing, pointing out that the early 1990s were difficult for the hotel industry – a view with which the City has some sympathy. The 1991 Gulf War put a stop to the European travels of high-spending Americans and coincided with UK recession.

Forte has been a survivor in a turbulent sector which companies such as Rank and Grand Metropolitan have quit, while Queens Moat went to the brink of bankruptcy.

Sir Rocco argues that the company is about to reap the benefits of an upturn in the cycle, and that loyal shareholders will benefit from Forte's plans to turn itself into a "pure" hotels investment.

It is selling all its peripheral businesses, most notably its roadside lodges and restaurants – Little Chef, Happy Eater and Welcome Break – which Whitbread plans to buy for £1.05bn. What will remain is a hotels portfolio ranging from some of the world's most luxurious – often with low margins – to humdrum provincial Posthouses.

It plans to use part of the cash from these disposals to repurchase 20 per cent of its shares, at between 330p and 400p a share, plus 14p a share for tax exempt investors. This could provide a floor to Forte's share price, should the bid fail.

Whatever the intricacies of the debate, the outcome will turn in large measure on investors' views of Sir Rocco. Critics question whether he owes his position more to lineage than managerial strength and ask why it has taken a bid to force radical restructuring on the company, since he has been chief executive of Forte since 1982. If Granada is defeated, can he be relied on to keep up the pace of change?

Forte argues that Sir Rocco has only had real power since he took over as chairman in 1992 from his father, and since then he has started a widespread shake-up, including several large disposals; the 1994 acquisition of the international Meridien hotel chain; and the creation of a new management team, some 70 per cent of which has been appointed in the past three years.

It claims that most of the initiatives unveiled during the bid were already in the pipeline.

However, analysts have criticised the company for hanging on to its Savoy stake, despite lack of managerial control, and for the slow pace at which it has rebranded its hotels.

This week, in response to institutional pressure, Sir Rocco agreed to split his role as chairman and chief executive, appointing as non-executive chairman Sir Anthony Tennant, Forte's current deputy chairman. But some institutions expressed disappointment that Sir Rocco himself was not becoming chairman, making way for new blood as chief executive, and called it a case of "too little, too late."

● **How would shares in Granada perform after takeover victory?**

The case for taking over Forte rests essentially on Mr Gerry Robinson's strong track record in turning round Granada, a diversified leisure group with interests including contract catering and television programming. Operating profits have almost quadrupled in his four years at the helm. "In terms of managerial abilities he has been spectacularly successful," said one analyst.

This year he will take over the chairmanship of the group, and his long-term associate, the 38-year-old Mr Charles Allen, will step up into the chief executive's post. The two have worked together for more than a dozen years, starting at Grand Metropolitan, and were involved in the £160m management buy-out of Compass, GrandMet's industrial catering arm.

Granada has made two large acquisitions in recent years – Sutcliffe, the contract caterer, bought with some smaller companies for £360m from P&O in March 1993, and London Weekend Television, which succumbed to a hostile £760m bid in February 1994. In both cases, Granada quickly achieved its targets.

At Sutcliffe operating margins have been doubled in three years to 9.4 per cent, and profits last year rose by 35 per cent. LWT's first full year with Granada helped to boost television profits by 65 per cent to £140m.

Some analysts believe the trick can be repeated with Forte. However, others question whether Granada, after its initial cost cutting, has demonstrated that it can maintain long term earnings momentum in its acquisitions. And opinion is divided on its proclaimed ability to lift Forte's profits by £100m in the first full year of operations.

The bid, moreover, is not without both risks and controversy. Granada, having initially said it wanted to build up Forte's Meridien chain, did a U-turn in mid-bid and is now planning to sell it as part of £2.1bn of disposals – leaving it with assets valued at just £1.7bn, consisting mainly of the roadside business and the middle market British hotels.

This has left it open to accusations from Forte of 1980s-style "asset-stripping", though Forte itself is happily shedding large parts of the group.

The bid will also leave Granada, which has a net worth of £585m, very highly geared. The combined group's pro forma balance sheet, after £865m of goodwill write-offs, would have net assets of about £1.44bn, against consolidated debt of £3.54bn, producing gearing of 245 per cent.

Mark Finnie, of NatWest Securities, calculates that by next September net assets could rise to £1.8bn, with debt dropping to £1.2bn, for gearing of 69 per cent, provided Granada carried out the hotels disposals at book value.

But there must be a question mark over that assumption. A sharp stock market drop would lower achievable prices, as might the sale of so many properties at one time.

Against that, Granada's large stake in BSkyB is undervalued on its balance sheet, and the company's strong cash flow means that, even without the hotel sales, it reckons its 1996-97 interest payments will be four times covered.

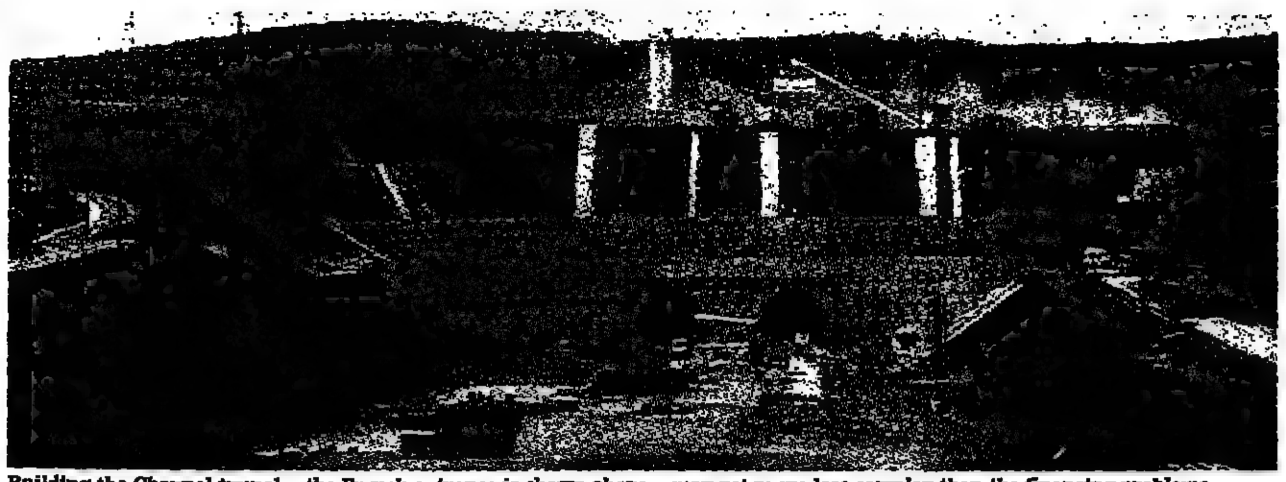
However, there is much academic evidence to show that the main losers in many contested takeovers are the shareholders in the bidding company, whose managements are tempted to overpay in burst of corporate machismo – and overstretch themselves trying to merge the businesses.

Over the next few days it is Mr Robinson's task to convince investors that he has not lost his touch. Sir Rocco has to impress them that Forte really has changed – and will continue to do so, even if the bid fails.

David Blackwell, Scheherazade Daneshkhu and Martin Dickson

Bargaining with French insolvency law

Eurotunnel may appoint a mediator to negotiate with its creditors, write **Robert Rice and Andrew Jack**



Building the Channel tunnel – the French entrance is shown above – may yet prove less complex than the financing problems

Eurotunnel, the Anglo-French operator of the Channel tunnel, confirmed yesterday it was thinking of seeking the appointment of a mediator to act as go-between with its creditors. At the same time, UK banks and their lawyers were trying to come to grips with the unique features of French insolvency law.

The pre-insolvency stages of French bankruptcy law involve the possibility of appointing two mediators to negotiate with creditors.

The first step is the appointment of a *mandataire ad hoc* to help in negotiations. His role is not formally defined under the 1984 French bankruptcy law and his powers to help are limited.

If the *mandataire* fails, however, a company's directors, creditors or shareholders can then ask the president of the commercial court to appoint a conciliator to try and negotiate a solution to a financial crisis.

Certain conditions must be fulfilled before the president can act. In particular, while the company must not be insolvent, it must be in a position where it is unable to pay its debts through normal channels of financing, and it must be capable of making a financial recovery. Accordingly, the procedure can not be used just to gain time prior to the filing of a bankruptcy petition. If the mediator reaches a conciliation agreement the parties will be contractually bound by its terms. In practice however, such agreements prove difficult to implement.

Mr Patrick Ponsolle, Eurotunnel's joint chairman, said he considered that either of the procedures "could be useful", but stressed neither would be advanced until after the group had concluded preliminary discussions with its bankers on a restructuring in early February.

If the company pursues both options and they fail, insolvency proceedings do not follow automatically, but the French *redressement judiciaire*, or court-based reorganisation procedure, is then the only thing standing between the company and liquidation.

The grounds for starting *redressement* are *cessation des paiements*, defined by the 1985 law as the inability of the business to meet its current debts with its liquid assets.

The *redressement* proceedings can be triggered by the company, a creditor, the court, the public prosecutor or the employees. An administrator is appointed together with a creditors' representative, who in practice becomes the liquidator if a reorganisation proves impossible, and the employees are asked to appoint their own representative.

The procedure starts with a six month observation period which can be extended to a maximum 18 months. During this time the business continues to be managed by the debtor.

Before the end of the observation period the administrator submits a report to the court which then decides if rehabilitation is feasible. Official French statistics show that more than 90 per cent of cases go into final liquidation.

The position in the case of Eurotunnel is further complicated by the structure of the Anglo-French partnership. The two operating subsidiaries of Eurotunnel SA and Eurotunnel plc were granted a concession to operate the tunnel by the British and French governments. The concession is a French law concept unknown in English law.

As it is not possible in law to have a security on a concession, to safeguard creditors' rights a special procedure was introduced giving the banks the right to substitute their own *concessionaires* in place of Eurotunnel as a means of enforcing their security.

Given the hurdles faced by Eurotunnel's creditors, the company's hint that it may seek to appoint a *mandataire* was being seen in London yesterday as a bargaining ploy in its discussions with its creditor banks which are owed £8bn.

The company insists there is no question of its becoming insolvent in the period to March 1997 due to the standstill agreement with its banks negotiated last September.

However, observers point out that the standstill agreement allows for the banks to reassess the situation after six months. That deadline is looming and Eurotunnel's hint about invoking pre-insolvency procedures in France could be interpreted as a warning to the banks not to try to back away from the standstill agreement.

The consequences of Eurotunnel's going into *redressement* would be a freeze on enforcement of security, in addition to which creditors in a *redressement* rank a poor third after employees' salaries and court and administrative costs.

Few believe Eurotunnel will go into *redressement*. As one lawyer said: "putting it into insolvency is the least intelligent thing they could do". But there are concerns it may slip into insolvency by default. "The anxiety must be that someone will overplay their hand, either the banks or the company, and it will lurch into an insolvency nightmare."

Others suggested, however, that tough penalties under French law to penalise directors – whether paid or unpaid, executive or non-executive – who are judged responsible for bad management might eventually push Eurotunnel to contemplate *redressement*.

One thing is certain. If Eurotunnel goes into *redressement* in France it would end up in administration in the UK. And that, lawyers say, would be the worst nightmare of all.

Guinness hit by more charges

By Roderick Oram, Consumer Industries Editor

Shares in Guinness closed down 14½p at 474½p yesterday after the drinks group said it would take a further £39m restructuring charge for 1995 and that profits in Japan had continued to slip.

Analysts downgraded pre-tax profit forecasts by 5 per cent to about £880m after charges. These will now total £64m for the year, up from £25m announced with the interims.

There was disappointment that Guinness had had to embark on another round of cost-cutting at Cruzcampo, its Spanish brewing subsidiary. The cuts will account for £29m of the additional charges.

Guinness paid a net £500m for its Spanish operations in two deals in 1990 and 1991. It took a £78m rationalisation charge in 1992 to reduce the number of breweries by three to six. With the latest charge it will close the Malaga brewery and other operations.

Analysts had only expected minimal profits before the charge from Cruzcampo, the leading Spanish lager brand, because of depressed beer demand.

With the exception of Japan, trading in spirits, accounting for roughly 75 per cent of Guinness's profits, was in line with comments at the interims in September. In Europe, volumes and profits were down from a year earlier apart from in Spain and the UK.

"We had hoped for a slight improvement since the interims," one analyst said. The Japanese market had continued to deteriorate, however, causing a further £10m drop in profits. Guinness does not disclose operating profits for the country but analysts believe they will be about £25m in 1995, down from a peak of £50m at the end of the 1980s.

The Japanese economy had begun to recover but "gift-giving and conspicuous consumption in bars is still frowned on", one analyst said.

GrandMet wins round in BW battle

Grand Metropolitan has won a round in its long legal dispute over the sale of its William Hill betting shops to Brent Walker, the leisure group, writes Roderick Oram.

The High Court ruled yesterday that a clause of the 1989 sale agreement should be rectified to state that acquisition accounting be used to calculate Hill's profits. GrandMet believed this was the interpretation both sides had originally agreed.

Brent, which agreed to pay £685m for William Hill, claims that profits should have been calculated on the basis of sustainable profits without elements such as the write-back of acquisition provisions. On that basis, it believes Hill's pre-tax profits for the year to September 1989 fell well short of the £55m warranted by GrandMet.

Brent was disappointed and said it might appeal. The ruling only affected part of its claim, however. It believed there would still be a shortfall to be considered by Arthur Andersen, the arbitrator.

It is seeking a £200m reduction in the purchase price, while GrandMet is seeking the final £50m payment Brent withheld, plus interest and costs.

During a hearing last July, Mr George Walker, the former head of Brent Walker, was asked by GrandMet's counsel whether Lord Sheppard, its chairman, had said that the one-off costs of Hill would be acquisition accounted and not charged to profit.

"I would not have known what he was talking about. The deal was done between Sheppard and myself in very plain, clear language," Mr Walker said. He and Lord Sheppard, friends for 15 years and from the same part of London, spoke the same language.

'Posturings' heighten tense atmosphere of talks

By Geoff Dyer and William Lewis

Since the project to build the Channel tunnel got under way 10 years ago, negotiations between Eurotunnel and its financial backers have always been strictly for those with strong nerves. But the background manoeuvrings have become so frenzied during the past month that even the most level-headed and experienced negotiator must be feeling the pressure.

It emerged yesterday that Eurotunnel's banks could withdraw from the current standstill agreement in March if 65 per cent of them (voting by value of loans) decided to do so.

The standstill began in September when Eurotunnel invoked a clause in its agreements which allowed it to suspend interest payments on £8bn of debt for up to 18 months, while it attempted to restructure its finances.

It was widely known that the four agent banks had to report to the rest of the 225-strong syndicate by March 14 to extend the standstill period for another year.

However, the possibility that a new financial crisis could develop over the next two months explains why the atmosphere surrounding the negotiations has become increasingly tense.

Bankers insisted that the March deadline was behind the revelation that Eurotunnel was considering asking a French court to appoint a mediator – a *mandataire ad hoc* – to handle its negotiations with the banks.

"It sounds like the English co-chairman [Sir Alastair Morton] is playing his usual games," said one banker. "They are trying to increase the pressure on us," said another.

Another said: "Trying to decipher what Eurotunnel is up to is like trying to work out what goes on in the Vatican."

The company's advisers suggested that the French court move represented "a flexing of its muscles" ahead of the looming deadline. "The company is showing its banks that it can take steps in France which may not be to the banks' liking," one adviser said. Under French insolvency rules creditor banks carry a lower level of priority than under UK company law.

A consultant to the company said: "This is game theory with high stakes. Let's hope neither side takes these posturings too seriously and panics."

Eurotunnel stressed that it was keen to conclude the negotiations. "We would like to bring things to an end promptly, but the banks are not going as quickly as we would like them to." The message it had been receiving from its banks was to "slow down".

Eurotunnel said that, if appointed, the *mandataire*'s job would be to "open up discussion with a view to finding common ground and a settlement". Any appointment would probably not take place until February.

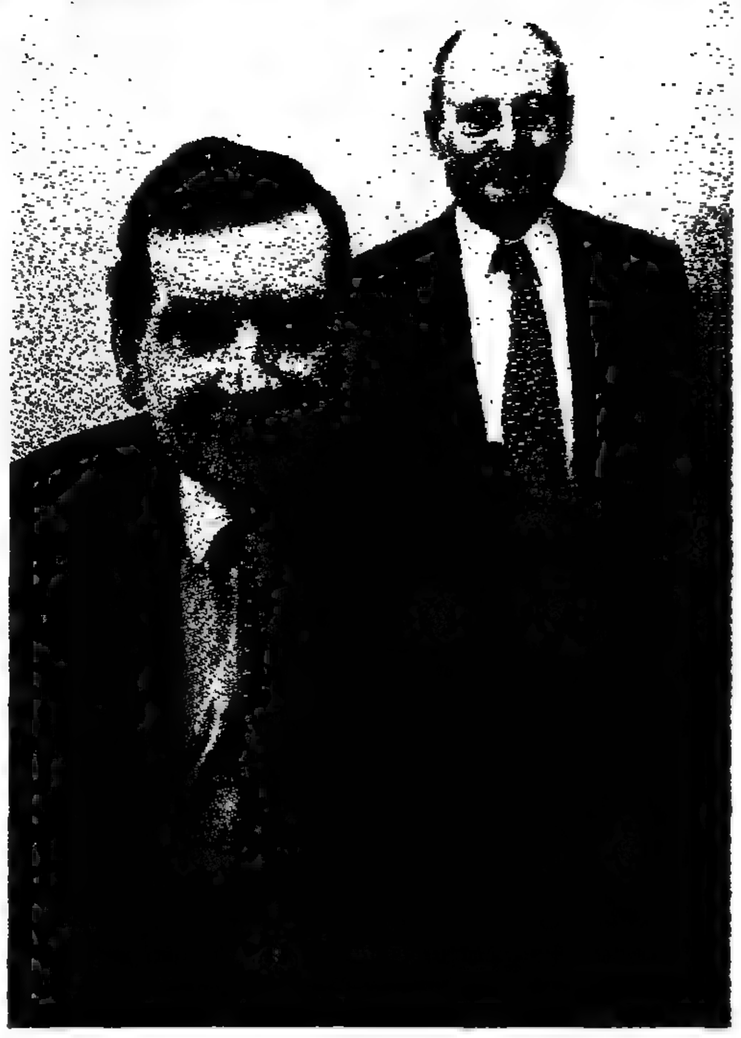
Several bankers denied that they had been informed about a KPMG report warning that it was in danger of becoming technically insolvent. KPMG and Price Waterhouse are the company's joint auditors in France.

"The report is news to me," said one banker at a Japanese institution. A UK banker said: "We have heard very little from the company or the agent banks since the standstill began. We had certainly not heard of the accountants' report."

Eurotunnel insisted that "the banks had been alerted to these processes". It had not been able, under French law, to give shareholders details of the auditors' report. The annual meeting in June was the earliest time the company was allowed to give details.

The two top jobs at BOC are changing hands today. **Tim Dickson** looks at the new team

Breath of fresh air



Malcolm Watson

David John (left) and Danny Rosenkranz: all eyes on a new combination

Few big international companies acquire a new chairman and a new chief executive on the same day. But then BOC, the industrial gases group where David John and Danny Rosenkranz formally assume these roles at this morning's annual meeting, is not noted for tidy succession planning.

Outgoing chairman Richard Giordano will be able to dust down an old script for his farewell address today, having already bowed out of the job once before in 1992. The forceful American, whose name outside the City was synonymous with high pay in the early 1980s and who can now concentrate his attention on chairing British Gas, always remained a non-executive director at BOC, but unexpectedly returned to the chairman's suite in 1994 after his successor Pat Rich retired due to ill health. By most outside accounts the intervening years were an unsettled period in the company's history.

Given the relatively brief tenure of stop-gap chief executive Alexander "Pat" Dyer, who also retires today, and the company's rapid turnover in finance directors, BOC shareholders will be carefully scrutinising the actions of the new top team.

In many respects John and Rosenkranz look like the model "Cadbury" combination for BOC, whose businesses take in the health care and vacuum technology and distribution services sectors as well as gases and related products.

John, aged 57, held senior posts at United Steel UK, RTZ and Redland before joining Inchcape in 1981 where he had particular responsibility for the Toyota franchise. Critics carp that he was not a contender in the recent handover there but he has valuable experience of east asia (where BOC has important markets and a growing number of joint ventures) and a good knowledge of the company after three years as a BOC "non-exec".

Most eyes, however, will be on Rosenkranz, who steps up to chief executive from vacuum technology and distribution services, the group's star performer in recent years. Only 50, he has spent the last 22 years at BOC, most notably turning Edwards High Vacuum from a loss-making manufacturer of equipment for semiconductor, scientific and other industrial applications into the most successful business of its kind in the world today. Edwards' sales last year increased by 50 per cent, profits jumped by 70 per cent.

Rosenkranz's motivational style, grasp of detail and organisational flair – all qualities which helped inspire the Edwards rejuvenation and subsequent divisional success – will be important assets in his new, high-profile role. But nothing can fully prepare a chief executive for what he admits is "the big one" – management of the external relationship with those institutions and analysts which ultimately determine the direction of a company's share price.

Thanks in large part to the Giordano legacy there is nothing much in BOC's locker currently troubling the City. Profits for the 12 months to end-September were bang in line with expectations – up 13 per cent – with important new US contracts, rapid growth in Asia/Pacific and another strong showing in the UK, Australia and South Africa among the highlights. BOC's health care activity has had a tough time following expiry of the isoflurane patent, but a reorganisation has cut costs and the expectation is that pharmaceutical profits should start to grow again next year.

This said, Rosenkranz will have to allay City concern that he lacks direct experience of industrial gases, 70 per cent of group sales, as well as answering longer term strategic questions such as whether to invest more in continental Europe and whether to stick with healthcare.

On the gases "deficit" he is philosophical, suggesting it may even be an advantage to bring a new perspective. "I am hoping that by having been near the gases business, but not in it, I have something to offer. I have watched it for 22 years and while relationships are very good I can question the folklore, if necessary."

As for continental Europe, where the international market leader Air Liquide is especially strong, Rosenkranz is equally relaxed. Yes, there is a "gap", no, there are no plans "suddenly to spend millions of pounds there". In any case, he and John say in unison, the growth markets of east asia offer enormous potential and group capital expenditure hit a record £500m last year.

The Rosenkranz style, it seems, will be consultative and changes will be evolutionary, not revolutionary. There is no 100-day plan. "I don't work like that," he explains. "Next week I'll spend a few days with the top team, chewing the fat and starting the discussion process. I have my views on how we should do things but there will be nothing radical."

He believes one of the biggest management challenges is getting the balance right between what he does himself and what he delegates.

A chief executive also needs to "understand enough to be a good portfolio manager". And he needs to create a culture "in which professionalism and ability come to the top" and management systems "that allow people to breathe".

Rosenkranz is suspicious of business fashion – "I'm not a great guru person" – believing that empowerment, for example, is something successful managers have been doing for years. But the "bog standard solution" is just as dangerous and he is deeply conscious that the rules are changing in today's less inflationary economies, that price decreases may become the norm, and that rationalisation will one day not be a sufficient way of getting out of trouble. "If you keep cutting there will be nothing left to cut, there are fewer places to hide."

Such realism, however, does not mask his essential optimism. "Talking primarily about the gases business and looking back over the last year as well as ahead there is more opportunity out there than I can remember."

The growing trend towards the east

West European companies are developing a new source for purchasing components, says **Kevin Done**

West European companies are increasingly looking to central and east Europe for new sources of supply for raw materials and components, as they seek to cut costs and improve their competitiveness against rivals from Asia and North America.

According to a survey by management consultants Booz-Allen & Hamilton*, big companies in Germany, France, Italy and the UK are planning to triple their spending in east European countries during the coming years to 5 per cent of their total purchases by 1998.

West European companies will then be spending as much in east European countries as they do in North America or south-east Asia. There are still misgivings among many companies in west Europe about the quality of products and the reliability of delivery from suppliers in east Europe, but the trend is clear.

Jean-Baptiste Duzan, purchasing director of Renault, the French car and commercial vehicle maker, warns that "in spite of their attractive cost base and the skills of their workforce, very few eastern European suppliers are able to adapt to the exceedingly tight requirements of our industry.

"However, there is no doubt that they have all the necessary ingredients to become important partners in the near future."

The Booz-Allen survey of purchasing intentions covers 214 companies across all sectors of industry in the four leading economies of west Europe.

The proportion of purchases companies have made in their domestic markets has declined steadily from 69.3 per cent in 1988 to 64.2 per cent in 1993, and this is forecast to fall again to around 57.6 per cent by 1998.

The drop in home market purchasing in the late 1980s and the early 1990s mainly benefited suppliers in other European Union member states, a move accelerated by the creation of the single market and the abolition of tariff barriers.

In coming years it is countries in eastern Europe that are expected to gain most, however, with their share of west European companies' purchases rising to 5.1 per cent by 1998 from 0.8 per cent in 1988 and 1.6 per cent in 1993.

West European industrial equipment, automotive, chemicals and electrical and electronics companies are the most active buyers from eastern Europe, according to the Booz-Allen study. "Their main motivation appears to be access to cheap labour, allowing manufactured goods to be produced at competitive costs," says the report.

The average savings in purchasing costs (including transportation) obtained by companies in these sectors range between 15 and 30 per cent

The difficulty experienced by west European companies rises as they move further east with greater distances involved and a greater degree of political instability

compared with the price paid to traditional suppliers. More than one company in seven has managed to cut its costs by more than 30 per cent.

The only exception is the chemicals sector, which has developed a supply base in east Europe but has achieved cost savings of less than 10 per cent. Here the purchases have chiefly been made by German chemical companies of primary raw materials. They have been looking for cheaper commodities and also seeking to penetrate east European markets with their products.

German companies were often the first westerners to penetrate east European markets and to develop effective relationships with the most competitive suppliers.

Companies are more likely to engage east European suppliers when they are purchasing products with a high labour content, such as semi-finished products, electrical and electronic components and equipment, and mechanical equipment.

Hungary, Poland and the Czech Republic are the countries most favoured by west European companies, in particular those from Germany and France, although the choice of supplying country does vary according to the country of the buyer.

Hungary is the primary supplier of electrical and electronic components and equipment, says the report, whereas the Czech Republic and Poland have exploited their capability in mechanical equipment and finished products. The countries of former Yugoslavia have focused previously more on raw materials and packaging, although their role as suppliers has clearly been drastically diminished by the recent wars in Bosnia and Croatia and the sanctions against Serbia.

The degree of difficulty experienced by west European companies rises substantially as they move further east with greater distances involved and a greater degree of political instability, says the report. "Countries in the Balkans and in the Commonwealth of Independent States are perceived more negatively by western buyers."

While the level of purchases made in east Europe is set to rise sharply many problems remain. Quality is the main issue and is cited in 70 per cent of the cases, where supply relations have failed.

Despite the problems, Booz-Allen forecasts a boom in purchases from east Europe, particularly from those countries that are geographically close to west Europe and have done most to develop market economies and democratic political regimes.

Pan-European Survey of Purchasing Practices from Eastern Europe and the CIS Countries. Booz-Allen & Hamilton, 100 Piccadilly, London, W1V 9HA. Tel: 44-171-493-9595. Fax: 44-171-393-0084.

COMMODITIES AND AGRICULTURE

De Beers says $1bn loan to Russia has been repaid

By Kenneth Gooding, Mining Correspondent

Russia has completed repayment of the US$1bn it was loaned by De Beers five years ago, the South African group said yesterday.

De Beers also revealed that negotiations with Russia about "future co-operation" were going well but they needed more time. The present contract between Russia and the rough (uncut) diamond cartel organised by De Beers' Central Selling Organisation had therefore been extended to March 1. More talks would take place in Moscow in February.

The present contract, worth at least $1bn a year to Russia, gives the CSO responsibility for 95 per cent of Russia's rough diamond sales. When the deal with the Soviet Union was completed in July 1990, De Beers also advanced a $1bn loan and part of the Soviet diamond stockpile was shipped to the CSO in London as collateral.

Some of the loan was paid off via sales from the stockpile and the remaining stones have now been returned to Russia, De Beers said yesterday.

Relations between Russia and the South African group have been stained for two years but now seem to be getting better. De Beers claimed that Russia was selling diamonds directly to the west in contravention of its contract with the CSO. Russia wanted to increase the percentage of its own diamonds it could sell on its own account.

The chances of the world's two biggest diamond producers falling out and possibly starting a price war has made the market very nervous. Analysts suggest the two will patch together some agreement but not necessarily another five year contract.

De Beers' statement yesterday carefully avoided using the word "contract" but instead mentioned "future co-operation" and "closer co-operation". The statement said negotiations this week were "conducted in a positive and constructive manner and further useful progress was made".

Food security to rise on political agenda

Grain stocks are the lowest for 20 years and prices are at long-time highs, writes Geoff Tansey

With world grain stocks at their lowest level for 20 years and cereal prices rising, food security is set to move up the political agenda.

Agriculture had borne the brunt of aid cuts over the past decade warned Dr Jacques Diouf, director general of the UN Food and Agriculture Organisation speaking in London earlier this week. "Calculated in constant 1990 dollars, assistance fell from $16bn in 1981-83 to $11bn in 1991-93."

He was speaking at a meeting with Christian Aid to launch "Without Waiting. . .", a report on food security written by three European non-governmental organisations (NGOs) and jointly edited with FAO.

Low-income food-deficit countries (LIFDCs) would not be able to go to the world market and buy sufficient food if prices rose, warned Dr Diouf. The price of rice had risen by 45 per cent in a year, and China imported 2m tonnes of rice from Vietnam, he said. Developing countries as a whole imported about $23bn worth of cereals in 1994 according to the report.

The FAO's "The State of Food and Agriculture 1995" report identified 88 LIFDC's, 31 of which spent a quarter or more of their total export earnings on food in 1988-90. The FAO has launched a special programme on food production in support of food security in these countries. This aims to promote a rapid increase in food production and focuses on high potential areas.

World Cereal Usage (million tonnes)

	Food	Animal Feed	Other
1994-95	900	640	250
1993-94	890	620	240
1992-93	870	630	240

Source: Figures from FAO, compiled by Christian Aid.

Simply concentrating on these areas was not enough for food security, argued Mr Simon Maxwell, fellow and programme manager for rural poverty, food security and the environment at the University of Sussex's Institute of Development Studies. People in low potential areas must not be neglected. They had to maintain their livelihoods – which came partly from food but also cash crops and non-agricultural activities – and increase their productivity if they too were to have food security.

Production was not enough, however, argued the authors of "Without Waiting. . .".

"The world produces more than enough grain to meet human needs," Mr Clive Robinson, Head of Christian Aid's Europe and Global team and co-author of the report pointed out. "The problem is that production is not evenly distributed. Millions of people are too poor to gain access to the food that is available. . . Only half of world annual production of cereals is eaten by human beings, the rest is used for seed, animal feed or wasted."

He argued that the definition of food security formulated by FAO in preparation for the World Food Summit in November 1996 – that food is available at all times, that all persons have means of access to it, that it is nutritionally adequate in terms of quantity, quality and variety, and that it is acceptable within the given culture – missed out gender. Gender roles affected who got what food, with women often served last when food was distributed.

Mr Robinson also said that the Uruguay Round of the General Agreement in Tariffs and Trade "failed to grasp the food security interests of developing countries".

The report notes that 50 international companies account for the bulk of food and agricultural trade and argues: "The distortions to fair trade and food security resulting from the power of these [transnational] corporations form a second regulatory challenge still to be addressed."

The FAO would also be monitoring the effects of the Uruguay Round, particularly its impact on developing countries, said Dr Diouf.

The organisation's director-general was credited with opening up the FAO to co-operation with NGOs by Christian Aid's director, Mr Michael Taylor and some others at the meeting, which was attended by 27 different NGOs. The willingness to co-operate represented a considerable shift in FAO's approach to NGOs, according to Mr Jo Feingold of the UK Food Group. In March last year Dr Diouf pointed out that he had convened meetings between NGOs and FAO in connection with the biennial sessions of the technical committees on fisheries and forestry. He also invited NGOs to contribute to the preparation for the World Food Summit, both through the national committees and through the regional preparatory meetings. At the summit, "in addition to the NGOs which will be part of national delegations, FAO will invite a group of relevant and competent NGOs to participate in the summit as observers", said Dr Diouf.

The FAO's committee on world food security would begin its work as the main preparatory body for the summit during the last week of January when it will have a draft policy statement and plan of action in front of it, he said. Over the next few months, the aim was to develop concrete global and regional targets to be agreed at the summit.

"Without waiting. . . How the international community can promote food security:" Free, from Development Education Exchange Papers, Office for External Relations, FAO, Viale delle Terme di Caracalla, 00100 Rome, Italy; Fax: +39 6 522 55734.

MARKET REPORT

LME nickel prices surge by 5 per cent

NICKEL prices surged by more than 5 per cent on the London Metal Exchange yesterday on active speculative buying throughout the morning session.

Most other base metals moved slightly higher in mainly routine business, traders said.

Three month nickel futures finished the after hours "kerb" trading session at $8,300 a tonne, up $430 from Wednesday's kerb close.

Technical resistance at just below $8,000 was cleared when one ring dealing member drove prices higher. Stop-loss buying orders were triggered.

Traders said the rise did not reflect physical market conditions.

European stainless steel producers had been conspicuous by their absence from the spot nickel market during the past four to six weeks, industry officials said. Steel stocks at mills were still too high, and production cutbacks, which many expected to be over by now, could last another two to three months, they added.

"One or two months ago we anticipated the upturn would have taken place by now, but now it looks like happening in another two months," said one producer.

At the London Bullion Market GOLD price support levels were tested as the new year rally continued to consolidate. The price closed at $397.75 a troy ounce, down 50 cents.

Brent crude OIL prices rose in response to news of a drawdown in US heating oil stocks. The March position on the European physical market was $17.20½ in early evening trading, up 34 cents.

Some dealers said healthy demand for sweeter barrels from European refiners was also helping to support North Sea prices "There's definitely a sort of underlying strength there," said one.

Compiled from Reuters

Rain dampens Guatemalan coffee hopes

Guatemalan coffee officials have cut their estimate of exports from the 1995-96 harvest to 2.7m bags (60kg each) from 2.9m following a new assessment of recent rain and frost damage, reports Reuters from Guatemala City.

Mr Julio Arrivillaga, vice-president of the National Coffee Association (Anacafe), said continual rains and, to a lesser extent, a cold snap last week, had caused beans to drop from trees, and encouraged the spread of fungi and leaf rust disease.

The main areas hit were the higher regions where Guatemala's quality hard bean and strictly hard bean were grown, he said.

"This is a conservative estimate," he added. "I think plantations may be further affected, but it is difficult to measure damage now that the harvest is under way." He said Anacafe specialists had noticed a surge in leaf rust, a virus which causes leaves, and later beans, to drop off trees.

Canadian company ready to help Zambian copper revival

By Kenneth Gooding

Zambia's willingness to accept foreign help to revive its ailing copper industry was demonstrated again yesterday when a minister said a little-known Canadian company was ready to spend between US$500m and $1bn to develop the Konkola North project.

This is a separate area from Konkola Deep, which is likely to be developed at the cost of $600m by a consortium lead by Anglo American Corporation of South Africa.

Mr Keli Walubita, Zambia's minister of mines and minerals development, said African Minerals Corporation, the Canadian company involved, initially proposed to spend $20m over four years to produce a feasibility study for Konkola North.

He quoted Mr Joe Kajszo, African Minerals' president, as saying: "Furthermore we are willing and able to arrange complete financing of the capital costs at Konkola North". Mr Kajszo was formerly vice president for exploration for Diamond Fields Resources, the company behind the discovery of the Voisey's Bay nickel project in Canada, but it was not immediately clear whether there was an association between Diamond Fields and African Minerals.

Mr Walubita said that Zambia Consolidated Copper Mines (ZCCM) the state-controlled company that owns Konkola North, would not have to make any financial contribution to the project until production of copper and cobalt had begun.

Talks are going on in London this week between Zambian government officials and Anglo American about Konkola Deep which is adjacent to Konkola North. One analyst suggested Anglo and its potential partners – including Gencor, another South African mining group, and the Industrial Finance Corporation, a World Bank offshoot – might not be keen on another company developing an area that is likely to prove to be part of the same ore body as Konkola Deep.

Anglo has a vested interest in ensuring ZCCM survives because its Zambia Copper Investments subsidiary owns 27.3 per cent of the copper producer.

Since ZCCM was nationalised its copper output has dropped from a peak of 700,000 tonnes in 1969 to only about 300,000 tonnes last year and production from Konkola Deep is urgently needed because the company's other mines are nearing exhaustion.

● Inco expected to complete its feasibility study on its Goro nickel-cobalt property in New Caledonia by the end of the year and continued to work on its Onca Puma nickel project in Brazil, the company said this week, writes Robert Gibbens in Montreal.

Goro could have annual capacity of between 40m and 200m lb in matte, said spokesman Mr Robert Purcell. "We've been present in New Caledonia since 1902, but this is the first time we've considered production – it would be a surface mine. But a go-ahead will depend on world markets."

Inco plans to expand capacity at Soroako, Indonesia, by 50 per cent to about 150m lb by 1998 at a cost of US$580m.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	[illegible]	1589-90
Previous	[illegible]	1598-99
High/low		1600/1584
AM Official	1573-75	1593-93.5
Kerb close		1588-9
Open int.	222,580	
Total daily turnover	42,588	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1385-95	1425-30
Previous	1390-400	1430-35
High/low		1440/1430
AM Official	1400-5	1435-45
Kerb close		1425-35
Open int.	4,832	
Total daily turnover	1,206	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	722.5-23.5	714-15
Previous	716-7	708-9
High/low	725/724	719/702
AM Official	724-25	712.5-13.0
Kerb close		718-9
Open int.	31,820	
Total daily turnover	8,098	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8105-15	8200-10
Previous	7810-20	7910-15
High/low		8360/7840
AM Official	8180-90	8255-65
Kerb close		8300-10
Open int.	40,780	
Total daily turnover	21,308	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6235-45	6270-75
Previous	6265-75	6300-10
High/low	6280	6320/6250
AM Official	6280-85	6305-10
Kerb close		6270-80
Open int.	15,150	
Total daily turnover	4,301	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1034-35	1055-56
Previous	1028-29	1050-51
High/low	1042	1067/1047
AM Official	1041-42	1061-61.5
Kerb close		1057-8
Open int.	73,471	
Total daily turnover	13,915	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2602-7	2492-94
Previous	2591-96	2480-81
High/low	2620	2508/2455
AM Official	2619-21	2498-99
Kerb close		2482-3
Open int.	167,682	
Total daily turnover	60,611	

■ LME AM Official £/$ rate: 1.5229

LME Closing £/$ rate: 1.5230

[illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

FUTURES DATA

All futures data supplied by CMS.

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

■ GSCI Spot (Base: 1970=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

[illegible]

■ COFFEE LCE

	Calls Mar	Calls May	Puts Mar	Puts May
1500	354	491	2	3
1550	307	444	5	6
1600	261	398	10	10

■ COCOA LCE

	Calls Mar	Calls May	Puts Mar	Puts May
850	61	90	3	7
875	40	70	7	10
900	24	53	18	20

■ BRENT CRUDE IPE

	Calls Mar	Calls Apr	Puts Mar	Puts Apr
1650	-	-	17	47
1700	66	44	33	-
1750	38	61	-	-

LONDON SPOT MARKETS

■ CRUDE OIL, FOB (per barrel/Mar)

		+or-
Dubai	$16.31-6.41w	+0.20
Brent Blend (dated)	$17.87-7.91	+0.41
Brent Blend (Mar)	$17.20-7.21	+0.34
W.T.I.	$18.20-8.24w	+0.39

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$170-172	+2
Gas Oil	$164-165	+4
Heavy Fuel Oil	$100-102	+2
Naphtha	$169-172	+1
Jet fuel	$188-190	+4
Diesel	$168-170	+6

Petroleum Argus. Tel. London (0171) 359 8792

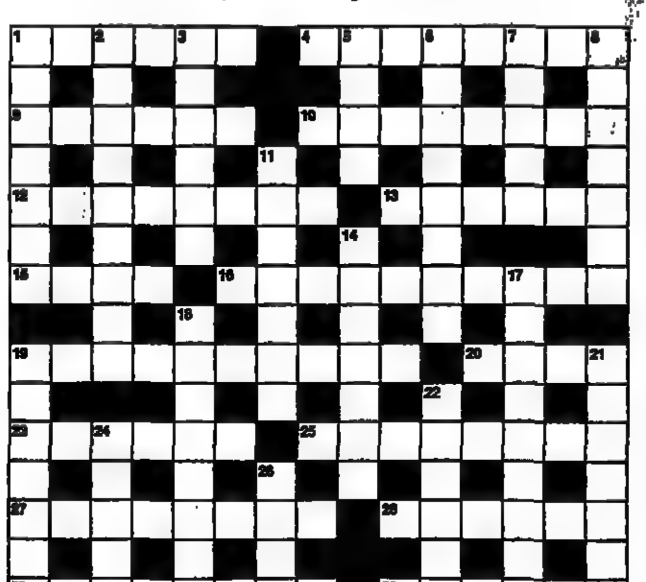
■ OTHER

Gold (per troy oz)♣	$397.75	-0.50
Silver (per troy oz)♣	545.5c	-1.0
Platinum (per troy oz.)	$415.50	-2.50
Palladium (per troy oz.)	$130.00	
Copper	119.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.81m	+0.03
Tin (New York)	297.5c	+1.0
Cattle (live weight)†	118.02p	-0.74*
Sheep (live weight)†♠	121.33p	+5.91*
Pigs (live weight)†	101.75p	-1.12*
Lon. day sugar (raw)	$302.20	+4.20
Lon. day sugar (wte)	$378.60	+3.10
Barley (Eng. feed)	121.5u	
Maize (US No3 Yellow)	150.5z	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	107.00p	
Rubber (Mar)♥	107.00p	
Rubber (KL RSS No1)	397.00m	+1.00
Coconut Oil (Phil)§	$705.0y	+12.5
Palm Oil (Malay.)§	$510.0y	-10.0
Copra (Phil)§	444y	-7
Soyabeans (US)	211.0	+2.0
Cotton Outlook'A' index	85.20	+0.15
Wooltops (64s Super)	450p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb.♥ w Mar. y Feb/Mar. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

CROSSWORD

No.8,971 Set by DANTE



ACROSS

1 Bearing blossom in March or April (6)
4 Bird painter (8)
9 An item replaced for the resident (6)
10 Mild way to rebuke (8)
12 Permit – strange to relate (8)
13 Obscure form of lament (6)
15 At short notice, sent back information (4)
16 Praiseworthy features of a railway? (4,6)
19 Dawn breaking with strange lustre gives one the desire to go places (10)
20 Desert? Not a lot of water (4)
23 Left one extremely out of sorts (6)
25 For the moment it may be Greenwich (8)
27 Plant it in haste (8)
28 It checks the growth of population (8)
29 Take off a garment in experiment (8)
30 Pursued by two boys (6)

DOWN

1 Dissolute vice got Edward expelled (7)
2 One list put out includes a politician – a fool! (9)
3 Once wrong, made exact (6)
5 Eye-catching gadget (4)
6 He made furniture to another's design (8)
7 Moved quickly in field exercise (5)
8 Joints may be worn out (7)
11 Makes slow progress on a street car (7)
14 An epic tour of the Greek Islands (7)
17 Blooming good example of self-interest (9)
18 Exchange of repartee that will bear fruit (4-4)
19 Jaguar strike not official (7)
21 Urged editor to support journalists (7)
22 To catch men she dressed up (6)
24 Little girl all over the house (5)
26 The mark of the restorer (4)

Solution 8,970

Europe closes firmer after interest rate cuts

By Martin Brice in London and Lisa Bransten in New York

European government bond markets expected one interest rate cut yesterday but were surprised to get two – each of 25 basis points, from France and the UK, while the Bundesbank council left rates unchanged. Markets closed firmer, but Italian government bonds were the star performers, with the yield spread over bunds falling by 15 basis points on hopes of political stability. In the US, the yield on the benchmark 30-year Treasury bond fell below 6 per cent in early trading amid hopes that the economy would continue to weaken.

■ UK government bonds ended firmer after the surprise base rate cut, to 6.25 per cent. It was the second such reduction in two months, and the resulting market strength was attributed more to international events. The rate cut, which prompted talk of political motives, drew attention away from retail sales and price data that suggested an upward trend in consumer spending and worse than expected inflation figures.

Mr Nigel Richardson, head of bond research at Yamaichi, said: "Nobody expected it, and the market has risen on the back of the international scene, taking strength from bunds and Treasuries. The market does have some Machiavellian doubts: they think it was too soon after the last cut." He said the base rate may be cut by another 25 basis points by the end of March.

On Liffe, the March long gilt future closed at 112$\frac{4}{32}$-10, up ½. The 10-year yield spread over Germany moved from 160 basis points to 157. Short sterling closed at 93.96, up 0.19, discounting rates of 6.04 per cent in March. The yield on the 7.25 per cent gilt due 1998 fell 1 point to 6.09 per cent; on the 8½ per cent due 2005, by 3 points to 7.26 per cent; and on the 8 per cent due 2015, 5 points to 7.62 per cent.

Mr Andrew Milligan, international economist at New Japan Securities said: "This is a government desperate to regain popularity. I presume that the governor [of the Bank of England, Mr Eddie George] only grudgingly agreed. Last time he was announcing it in front of the cameras, but this time he is just saying 'Wait for the minutes of the meeting'." However, Mr Simon Briscoe, economist at Nikko, said: "There will be some who call this a political move, but that view should have little support from anyone who has looked at the latest data." Mr David Wileman, gilt specialist at brokers Seccombe Marshall and Campion in London, said: "I don't suppose we will know fully until the minutes come out."

GOVERNMENT BONDS

■ The French government cut the intervention rate by 25 basis points to 4.20 per cent, but OATs lagged behind bunds because the reduction was discounted already. The yield spread over bunds on 10-year paper rose 2 basis points to 52.

Mr Ken Wattret, international economist at HSBC Markets, said: "There is very little upside for French bonds at 50 over Germany. Markets are cautious on French interest rates. Some bad unemployment figures will turn the pressure up on the government and the risk of a franc crisis in the coming months has dissipated but hasn't gone away."

On Matif, the March 10-year future settled at 122.98, up 0.08, while March Pibor rose 0.02 to settle at 95.43.

■ The Bundesbank council left rates unchanged at its meeting, although some analysts expect a rate cut before the end of March.

The yield on benchmark one-year paper fell 1 basis point, while that on four-year paper fell 7 basis points. On 10-year paper the yield fell 5 basis points to 5.80 per cent.

Mr Christoph Anhamm, bond analyst at UBS in Frankfurt, said some market participants thought the yield on 10-year paper could fall to 5.50 per cent, and investors were moving out along the curve. "More and more cash is being positioned at the long end.

"But it would be more interesting now to start thinking about when interest rates will start go up," he said.

On Liffe, the March 10-year bund future closed at 101.10, up 0.40. The yield spread of 10-year bunds over Treasuries moved out from 15 basis points to 20.

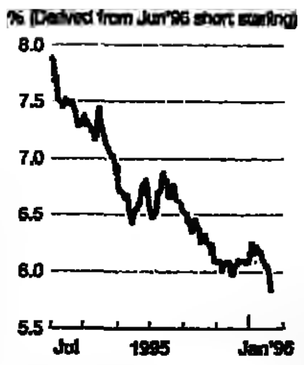
■ Italian government bonds outperformed bunds, with the yield spread on 10-year paper falling 15 basis points to 433. There were reports of investors selling bunds and buying BTPs on news that Mr Lamberto Dini was likely to be given a mandate to head a new government to oversee constitutional and electoral reform.

Mr Ken Wattret said Italy had lagged behind other high-yielders in the rally, and yesterday it had caught up. He said since inflation was falling, and the budget deficit for last year was on track, the spread over Germany could fall to below 400 if there were no political risk in the price. "But this is an early stage in the political negotiations," he said.

■ The yield spread over Germany on Spanish 10-year bonds moved from 351 basis points to 349. Ms Phyllis Reed, European bond strategist at BZW, said: "To push further we need a clear view of politics and inflation." She said there was unlikely to be much movement in the market until the February release of the consumer price data for January.

Interest rate expectations

% (Derived from Jun'96 short sterling)



Source: FT Extel

■ The yield on the benchmark 30-year Treasury bond fell below 6 per cent in early trading yesterday, amid hopes that the economy would continue to weaken.

Near midday, the benchmark 30-year Treasury was $\frac{12}{32}$ higher at 112$\frac{3}{32}$ to yield 5.980 per cent, while at the short end of the maturity spectrum the two-year note gained $\frac{1}{32}$ to 100$\frac{17}{32}$, yielding 5.010 per cent.

A survey by the Federal Reserve Bank of Philadelphia put the index of general business conditions at negative 16.6 in January, the lowest level since July last year. The report also showed weakness in several sub-indices, including new orders and prices paid. One troubling element was a 7 point jump in the prices paid component, but economists at Donaldson, Lufkin & Jenrette said this was mitigated by the drop in prices received.

The market was untroubled by a dip in the number of people filing first-time claims for unemployment benefits, because most analysts attributed the drop to the east coast blizzard and not to a wave of new hiring or manufacturing growth.

Bonds also paid little attention to the growing storm in Washington over how to balance the federal budget. The market rose through much of last year on hopes that Republicans in Congress and President Bill Clinton could reach an agreement.

Merrill Indonesia prepares first deal

By Manuela Saragosa in Jakarta

PT Merrill Lynch Indonesia, a subsidiary of the US-based merchant bank, last week awarded a licence to operate in Indonesia, will kick off its business in Jakarta with a Rp167bn rights issue for Bank Bira, one of Indonesia's top 20 private sector banks.

The issue will coincide with a convertible bond offering from Indocement, which accounts for about 11 per cent of the MSCI Indonesia index. Morgan Stanley is arranging the offering, which is expected to raise about $150m. The deal should emerge by next week.

Bank Bira said the Indonesian arm of Merrill Lynch would underwrite part of the bank's planned offer of seven new shares for every five held, or 145.6m new shares, at a subscription price of Rp1,150 each. The shares will go ex-rights on March 13.

Mr Parveen Gandhi, vice-president at Bank Bira, said the rights issue was aimed at increasing the bank's equity, for expansion of its loans portfolio. According to regulations issued by the central bank last year, Indonesian banks may extend loans worth up to 20 per cent of their capital.

"We are competing with all the big foreign banks, and want to increase our loan capabilities to US$50m-$150m this year," Mr Gandhi said. A larger market capitalisation would also allow the bank to increase its credit lines from foreign banks.

The bank's principal shareholder, Mr Abang Latief, will reduce his stake in the bank's enlarged share capital to 55 per cent from 66.8 per cent as a result of the rights issue.

Issuers make most of solid demand for FRNs

By Conner Middelmann

A slew of floating-rate note issues in US dollars and sterling and more D-Mark paper kept dealers busy yesterday.

With issuers capitalising on strong demand for floating-rate notes from cash-rich financial institutions, and the resulting tight spreads, pricing on several of yesterday's issues was deemed on the tight side.

First off the block was Dean Witter with $300m of five-year FRNs with a coupon of three-month Libor plus 25 basis points. At the re-offer price, the yield was 31 basis points over Libor and, according to lead manager Merrill Lynch, the spread was unchanged near the close.

Norway's Christiania Bank issued $150m of three-year FRNs via Citibank, with a coupon of 5 basis points over three-month Libor and at an all-in cost of 10 basis points over. While some felt the pricing was fair, others said the paper might not capture the increasing number of yield-hungry buyers looking for spreads between 10 and 20 basis points over Libor.

Union Bank of Switzerland executed a $160m bloc trade of seven-year FRNs for NationsBank with a coupon of 20 basis points over Libor.

INTERNATIONAL BONDS

And the Britannia Building Society issued £150m of five-year floaters, callable after 4½ years, sold at 8 basis points over Libor. Some dealers felt the pricing was tight, especially compared with this week's Bradford & Bingley offering. But lead manager NatWest Markets said the deal saw good demand, with £100m of Britannia bonds maturing on the payment date of the new issue, and little other building society paper available.

The Kingdom of Sweden issued $250m of five-year callable bonds priced to yield 45 basis points over Treasuries. While lead manager Goldman Sachs reported sales to retail investors in Switzerland and the *Benelux*, attracted by the bearer status of the bonds, others felt the issue was too tightly priced and expressed doubts over retail placement. "In my experience, retail don't buy callable bonds," said a trader.

The D-Mark sector saw another internationally targeted jumbo DM1.5bn *Pfandbrief* issue for Bayerische Vereinsbank, the first such issue with a US house – Merrill Lynch – as joint bookrunner. After Wednesday's news of a Moody's triple-A rating for Depfa's public sector-backed *Pfandbrief* issues, investors are hoping the paper will also got a top-notch rating.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Dean Witter Discover & Co.‡	300	(a)	99.742R	Feb.2001	0.25R	-	Merrill Lynch International
Kingdom of Sweden(b)	250	5.85	100.00R	Feb.2001	0.25R	+45(5⅝%-00)	Goldman Sachs Intl.
Takashimaya Cayman Fin.(c)ϕ	300	3.50	100.00	Feb.2000	2.25	-	Nomura International
NationsBank Corp.‡	160	(d)	100.00	Feb.2003	0.20	-	UBS
Christiania Bank‡	150	(e)	99.932	Feb.1999	0.075	-	Citibank International
D-MARKS							
Bayerische Vereinsbank(f)	1.5bn	6.00	98.97R	Jan.2006	0.10R	+30(6%-06)	BayerVB/Cmmrz/Merrill/UBS
City of Vienna	500	5.125	99.87R	Feb.2002	0.275R	+20(8½%-01)	BayerVB/SBC Warburg
Commerzbank O'seas Finance	500	5.25	101.925	Jan.2002	2.125	-	Commerzbank
CS First Boston	200	5.375	99.97R	Feb.2001	0.325R	+92(5¾%-00)	CSFB-Effectenbank
Trinkaus & Burkhardt Fin.	100	5.375	101.80	Feb.2002	2.125	-	Trinkaus & Burkhardt
STERLING							
Britannia B/S(g)‡	150	(g1)	100.00	Feb.2001	0.17	-	NatWest Capital Markets
GUILDERS							
ING Bank	500	6.25	99.18R	Feb.2006	0.425R	+52(6¾%-06)	ING Barings
BNG	250	3.00	92.41R	Mar.2001	0.25R	flat(9%-01)	ING Barings
De NIB	200	5.00	99.96R	Feb.2001	0.275R	+17(i)	SBC Warburg
ITALIAN LIRE							
DSL Bank(h)	150bn	9.25	101.475	Aug.1998	1.125	-	Paribas Capital Markets
CANADIAN DOLLARS							
Bayerische Landesbank(s)	150	6.125	99.26R	Dec.2001	0.25R	flat(7½%-01)	Toronto Dominion Bank
City of Vienna	100	6.25	99.125R	Feb.2002	0.25R	-2(7½%-01)	Hambros Bank
PESETAS							
DSL Finance	10bn	9.00	101.48	Jan.2003	1.625	-	BBV/Deutsche Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ϕWith equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +25bp. b) Callable annually from 13/2/98 at par. c) Fixing: 26/2/96. d) 3-mth Libor +20bp. e) 3-mth Libor +5bp. f) Oeffentliche Pfandbrief. Recommended re-offer. g) Callable on coupon dates from Aug.00 at par. g1) 3-mth Libor +5bp. h) Fungible with L150bn. Plus 180 days accrued. i) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.2300	−0.160	8.18	8.19	8.16
Austria		6.500	11/05	102.7500	+0.420	6.11	6.27	6.49
Belgium		6.500	03/05	101.3100	+0.690	5.30	6.52	6.67
Canada *		8.750	12/05	112.3300	+0.770	6.99	7.27	7.11
Denmark		8.000	03/06	107.0400	+0.300	6.96	7.10	7.28
France	BTAN	7.000	10/00	105.6250	−0.380	5.37	5.73	6.00
	OAT	7.250	03/06	110.4100	+0.280	5.86	6.57	6.51
Germany Bund		6.000	01/06	101.5100	+0.450	5.79	5.94	6.04
Ireland		8.000	08/06	105.5200	+0.520	7.22	7.44	7.35
Italy		10.500	09/05	103.6200	+0.850	9.80†	10.33	10.57
Japan	No 129	6.400	03/00	118.2800	−0.150	1.68	1.71	1.38
	No 174	4.600	09/04	111.6420	−0.040	2.92	2.98	2.67
Netherlands		6.000	01/06	101.6800	+0.420	5.77	5.93	6.08
Portugal		11.875	02/05	115.9200	+0.220	9.21	9.62	10.23
Spain		10.150	01/06	105.2900	+0.600	9.28	9.52	10.15
Sweden		6.000	02/05	87.9210	+1.090	7.92	8.26	8.53
UK Gilts		8.000	12/00	105–30	+16/32	6.55	6.69	6.77
		8.500	12/05	108–23	+16/32	7.24	7.49	7.37
		9.000	10/08	112–28	+16/32	7.42	7.64	7.54
US Treasury *		5.875	11/05	102–15	+18/32	5.54	5.79	5.83
		6.875	08/25	112–11	+33/32	5.96	6.17	5.98
ECU (French Govt)		7.500	04/05	105.7400	+0.140	6.64	6.85	7.09

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.24	Two year	5.03
Prime rate	8½	Two month	5.20	Three year	5.09
Broker loan rate	7¼	Three month	5.13	Five year	5.26
Fed.funds	5⅝	Six month	5.03	10-year	5.58
Fed.funds at intervention	-	One year	5.02	30-year	5.98

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10100	0.31	0.72	0.63	1.02	0.17	0.58	1.18	1.57
10150	0.10	0.47	0.46	0.81	0.46	0.83	1.50	1.88
10200	0.03	0.29	0.31	0.63	0.89	1.15	1.86	2.18

Est. vol. total, Calls 38801 Puts 17586. Previous day's open int., Calls 222375 Puts 207603

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lire 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lire200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jan 18	Day's change %	Wed Jan 17	Accrued interest	xd adj. ytd		Low coupon yield Jan 18	Low Jan 17	Low Yr. ago	Medium coupon yield Jan 18	Medium Jan 17	Medium Yr. ago	High coupon yield Jan 18	High Jan 17	High Yr. ago
1 Up to 5 years (22)	124.18	+0.36	123.73	2.44	0.12	5 yrs	6.66	6.79	8.67	6.66	6.81	8.66	6.77	6.88	8.68
2 5-15 years (21)	152.77	+0.52	151.98	2.47	0.00	15 yrs	7.50	7.56	8.54	7.54	7.59	8.67	7.65	7.71	8.89
3 Over 15 years (8)	169.22	+0.47	168.43	2.21	1.02	20 yrs	7.63	7.68	8.51	7.65	7.69	8.67	7.72	7.77	8.93
4 Irredeemables (6)	194.36	+0.49	193.40	1.95	0.00	Irred.†	7.75	7.80	8.55						
5 All stocks (57)	146.94	+0.46	146.27	2.45	0.21										

Index-linked							Inflation 5% Jan 18	Jan 17	Yr. ago	Inflation 10% Jan 18	Jan 17	Yr. ago
6 Up to 5 years (1)	197.97	+0.29	197.40	2.04	0.00	Up to 5 yrs	2.42	2.45	4.09	1.12	1.33	2.73
7 Over 5 years (11)	190.29	+0.58	189.20	1.03	0.00	Over 5 yrs	3.50	3.53	3.90	3.29	3.35	3.70
8 All stocks (12)	190.33	+0.57	189.25	1.06	0.00							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 18	Jan 17	Jan 16	Jan 15	Jan 12	Yr ago	High*	Low*
Govt. Secs. (UK)	96.34	95.97	95.98	95.60	95.46	90.80	96.34	90.22
Fixed Interest	114.89	114.57	114.54	114.22	114.14	109.30	115.04	108.77

GILT EDGED ACTIVITY INDICES

	Jan 17	Jan 16	Jan 15	Jan 12	Jan 11
Gilt Edged bargains	98.7	94.5	81.2	89.5	91.6
5-day average	81.2	88.4	88.2	83.7	82.6

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on January 18

[illegible]

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Pound firm after UK interest rate cut

By Graham Bowley

Sterling held its ground against other European currencies yesterday despite a surprise quarter-point cut in the UK base rate.

It remained firm against the D-Mark but it fell back against the dollar as expectations of lower interest rates across Europe again fuelled a strong rally in the US currency.

Elsewhere in Europe, the Bank of France followed the UK by cutting French official rates by a quarter point, which the market had anticipated.

The Dutch central bank also cut its special advances rate. But the Bundesbank council made no change to German interest rates after a sharp fall in the repo rate on Wednesday.

Despite the dollar's gains in Europe, it fell against the Japanese yen after data showed weaker US economic growth.

The pound closed against the D-Mark at DM2.2364 from the previous close of DM2.2415. Against the dollar, it finished at \$1.5218, from \$1.5305.

Sterling's trade-weighted index closed at 83.0, slightly down from the previous session's finish of 83.2.

■ Yesterday's unexpected cut in the UK base rate from 6.5 per cent to 6.25 per cent was taken well by the financial markets despite some suspicion that the move was made against the wishes of the Bank of England.

Both short sterling futures and UK government bond, or gilt, futures, rallied sharply, suggesting the move had done little harm to the authorities' credibility or increased the markets' expectation of future inflation.

Analysts said the pound's weaker tone against the dollar was due more to worries about the government's problems after talk of a "coup" against Mr John Major, the prime minister, than with the interest rate cut.

The pound also shrugged off data which showed that inflation rose last month while retail sales showed steady but subdued growth.

■ The dollar's recent buoyant tone continued yesterday before profit-taking in late European trading erased most of its gains against the D-Mark.

It was supported by another strong rally in the US bond market where the long bond yield moved below 6 per cent.

Mr Steve Hannah, head of research at IBJ International in London, said the rally in US bonds was "driving some international investors back into the US market," which was boosting the currency.

The rally in US bonds came after the series of European interest rates cuts and after the Philadelphia Federal Reserve Bank showed weak business activity this month.

Mr Hannah said the weakness of the US economy held out the prospect of another cut in US interest rates but he said there was unlikely to be any policy easing this month.

The view among some analysts in the market is that the dollar is now set for further gains against European currencies following supportive comments from various European central bank officials.

Few analysts however expect any significant foreign exchange developments to follow from the meeting of G7 finance ministers in Paris tomorrow.

Mr Lee Ferridge, currency strategist at NatWest Markets in London, said that the current market pessimism against the D-Mark in favour of the dollar was overdone.

He said: "Although current weakness in the German economy is being seen as a reason to sell D-Marks in favour of higher yielding European currencies, this is likely to be profitable only in the short term and only against selected currencies."

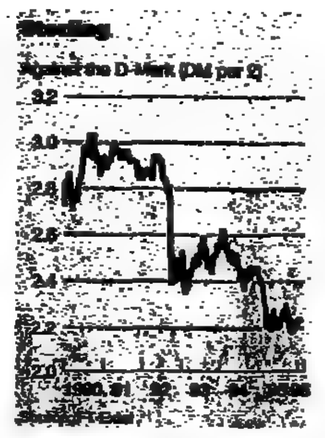
The dollar finished in London at DM1.4696, slightly up on the previous close of DM1.4646. Against the yen, the dollar closed at Y105.3, down from the previous finish of Y105.485.

■ Optimism about the Italian domestic political situation and the growing expectation of lower German interest rates boosted the Italian lira, which rallied sharply against the D-Mark.

The French franc remained broadly unchanged after the Bank of France cut its intervention rate from 4.45 per cent to 4.20 per cent.

The lira closed at L1,076 against the D-Mark, from L1,081. The franc closed at FFr3.422 from FFr3.416 against the D-Mark.

The Spanish peseta fell despite a sharp rally in Spanish government bonds. It ended at Pta84.39 from Pta84.21.



■ Pound in New York

Jan 18	Latest	Prev. close
£ spot	1.5235	1.5215
1 mth	[illegible]	1.5202
3 mth	1.5207	[illegible]
1 yr	1.5112	1.5070

■ OTHER CURRENCIES

Jan 18	£	$
Czech Kr	41.0797 - 41.2158	27.0[..] - 27.0250
Hungary	211.[..] - 212.[..]	138.[..] - 138.[..]
Iran	4560.00 - 4594.30	3000.00 - 3000.00
Kuwait	0.4557 - 0.4584	0.2995 - 0.2998
Poland	3.8339 - 3.8375	2.5200 - 2.5210
Russia	7131.51 - 7150.81	4685.00 - 4697.00
UAE	5.5880 - 5.5913	3.6729 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Jan 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7265	−0.0351	178 - 354	15.7821	15.7116	[illegible]	3.3	15.639	2.2	-	-	108.2
Belgium	(BFr)	45.9660	−0.1021	311 - 009	46.1030	45.9270	45.848	3.1	45.666	2.8	44.771	2.5	108.4
Denmark	(DKr)	8.6543	−0.0152	499 - 586	8.6805	8.6442	8.6428	1.5	8.6253	1.3	8.5665	1.0	108.9
Finland	(FM)	6.8029	−0.0072	[illegible] - 100	6.8380	6.7900	6.7985	0.8	6.7904	0.7	-	-	[illegible]
France	(FFr)	7.6517	−0.0069	482 - 551	7.6881	7.6300	7.6465	0.8	[illegible]	0.7	7.5919	0.8	110.0
Germany and remaining rows		[illegible]											

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.3342	+0.0358	310 - 373	10.3630	10.3140	10.3187	1.8	10.2927	1.6	10.1892	1.4	106.1
Belgium	(BFr)	30.2050	+0.103	900 - 200	30.2750	30.0870	30.153	2.1	30.065	1.9	29.76	1.5	108.1
Denmark	(DKr)	5.6869	+0.0224	855 - 882	5.7040	5.6737	5.6831	0.8	5.6759	0.7	5.6944	−0.1	108.2
Finland	(FM)	4.4703	+0.0207	661 - 735	4.4877	4.4485	4.4653	1.3	4.4586	1.2	4.4278	1.0	85.1
France	(FFr)	5.0281	+0.0341	271 - 290	5.0390	5.0095	5.0313	−0.8	5.0357	−0.6	5.0121	0.3	109.7
Remaining rows		[illegible]											

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6820	0.6827	+0.0009	0.6839	0.6813	35,530	72,749
Jun	0.6858	0.6860	+0.0005	0.6865	0.6848	906	3,201
Sep	0.6892	0.6892	+0.0007	0.6892	0.6892	6	1,285

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8461	0.8479	+0.0012	0.8494	0.8459	23,126	48,489
Jun	-	0.8555	+0.0010	0.8557	0.8533	151	955
Sep	-	0.8623	+0.006	[illegible]	-	3	[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jan 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.1663pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 26, 1996 to Feb 26, 1996, Schemes II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.882pc. Finance House Base Rate 7pc from January 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	93.95	+0.19	93.96	[illegible]	46953	90784
Jun	93.95	94.18	+0.23	94.18	93.92	60675	70499
Sep	[illegible]	94.23	+0.26	94.23	93.94	43065	54201
Dec	93.86	94.10	+0.24	[illegible]	[illegible]	21036	40499
Mar	[illegible]	93.89	+0.23	93.89	[illegible]	7874	29846

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9375	0.23	0.48	0.61	0.02	0.05	[illegible]
9400	0.08	0.29	0.43	0.10	0.11	0.20
9425	0.01	0.15	0.29	0.30	0.22	0.31

Est. vol. total, Calls 18033 Puts 20735. Previous day's open int., Calls 122705 Puts 110812

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100 — [illegible]

■ STERLING FUTURES (IMM) £62,500 per £ — [illegible]

EMS EUROPEAN CURRENCY UNIT RATES — [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) — [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100% — [illegible]

■ EURODMARK OPTIONS (LIFFE) DM1m points of 100% — [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100% — [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Royal Bk of Scotland	6.50
Allied Trust Bank	6.25	Exeter Bank Limited	7.50	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.50	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.50	TSB	6.50
Bank of Baroda	6.25	Girobank	6.75	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.50	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.50	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.50	Heritable & Gen Inv Bk.	6.75	Yorkshire Bank	6.50
Bank of Scotland	6.50	●Hill Samuel	6.50		
Barclays Bank	6.25	C. Hoare & Co	6.50		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.50		
Credit Lyonnais	6.50	* Mount Credit Corp	6.50		
Cyprus Popular Bank	6.75	NatWestminster	6.50		
		●Rea Brothers	6.50		

● Members of London Investment Banking Association
* In administration

WORLD INTEREST RATES

MONEY RATES — [illegible]

■ $ LIBOR FT London Interbank Fixing — [illegible]

EURO CURRENCY INTEREST RATES — [illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m) — [illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100% — [illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100% — [illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100% — [illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.32	95.39	+0.07	95.39	95.32	2674	7825
Jun	95.50	95.57	+0.08	[illegible]	95.50	870	4867
Sep	95.55	95.59	+0.08	95.60	[illegible]	121	2958
Dec	95.42	95.49	+0.07	95.51	95.42	328	2474

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9050	0.28	0.77	1.05	0.19	0.17	0.25
9075	0.13	0.56	0.90	0.29	0.23	0.32
9100	0.07	0.42	0.74	0.48	0.32	0.41

Est. vol. total, Calls 4951 Puts 3980. Previous day's open int., Calls 13628 Puts 10848

PT Astra International

U.S. \$125,000,000

6¼% Convertible Bonds due 2006

(the "Bonds")

NOTICE IS HEREBY GIVEN to holders of the Bonds that pursuant to Condition 7(E) of the Bonds, at any time in the period from 31st January, 1996 to 31st March, 1996 any Bondholder may deposit its Bonds for conversion in accordance with Condition 6 of the Bonds.

In accordance with Condition 7(I) of the Bonds:

The Conversion Price (as defined in the Bonds) as at the date of this Notice is Indonesian Rupiah 5,758.75.

The Closing Price (Local Price) of the Shares as reported on the Jakarta Stock Exchange as at 9th January, 1996 was Indonesian Rupiah 3,575.00 per share.

The aggregate principal amount of the Bonds outstanding as at 9th January, 1996 was U.S. \$125,000,000.00.

19th January, 1996 PT Astra International

BARINGS B.V.

US\$ 150,000,000

Guaranteed Floating Rate Capital Notes due 2001

Payment of principal and interest guaranteed by

Barings plc

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from January 19, 1996 to July 19, 1996 the Notes will carry an Interest Rate of 5.625% per annum.

The coupon amount payable on the relevant Interest Payment Date, July 19, 1996 against coupon No. 21 will be US\$ 284.38 per Note of US\$ 10,000.

The Agent Bank
Kredietbank S.A. Luxembourgeoise

BASE RATE CHANGE

Union Bank of Switzerland, London

announces that

with effect from the close of business

on 18th January, 1996

the Base Rate was reduced from

6½% PA to 6¼% PA.

Union Bank of Switzerland

Union Bank of Switzerland, PO Box 429, 100 Liverpool Street, London EC2M 2RH. Incorporated in Switzerland with limited liability.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		539xd	-2	566	476½	5,673	5.5	19.5
Bulmer (HP)		508xd	—	510	332	268.2	3.0	15.9
Burn St Dist		128	-1	148	99	74.7	5.0	27.1
Grand Met		454½xd	+9½	487	352	9,503	4.1	16.0
Guinness		474½	-14½	538	404	9,608	[illegible]	14.7
Highland		327	-1	413	317	439.6	3.0	14.2
Kirin Y		764½	+7¼	775¼	621	8,045	0.8	29.2
Macallan-Glen.		182	-1	217	175	213.7	0.9	40.4
Macdon Martin A		639	—	700	600	87.0	[illegible]	17.9
Matthew Clark		577	-1	694	525	595.1	4.1	–
Merrydown		109xd	—	140	68	11.8	2.3	–
Seagram $		£22½	+⅛	£25⅝	£16¼	6,498	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		50½xd	—	98	50¼	6.31	19.2	–
Cater Allen		473	-4	525	413	154.2	7.5	7.8
Close Bros		335	—	340½	216¼	409.0	3.2	14.9
Gerrard & Nat		465	—	482	335	225.9	6.0	15.0
Hambros		201	-2	248	183	355.4	4.7	–
7½pc Cv Pf		101	+½	112	94	130.1	9.3	–
Joseph (L)		453	—	463	353	24.0	5.2	15.6
King & Shaxson		148xd	-2	152	85	38.5	7.7	11.3
Rea Brothers		65	—	67	44	31.4	1.9	26.0
Schroders		1330	-5	1478	906¼	2,008	1.3	18.9
NV		1060	—	1180	823¼	406.4	1.7	15.1
Singer & Fried		102	+1	111	81	201.2	4.5	10.6
8¼pc Cv Ln 09/14		£131½	—	£137	£113	40.3	6.5	–
[illegible]								

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL, EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield Grs

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
[illegible]

Prices for dealing January 13

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd
Eurobond · Money US · Mortgage US · North American · Overseas · Tiger · UK Small Cos [illegible]

Newport Investment Management
73 Front Street, Hamilton, Bermuda
UK 0171 336 6088 Dealing: 01481 726268
Nat. Pacific · Asia Pacific · Newport Tiger Fd · Newport Tiger Fd [illegible]

Orion Fund Limited
6 Front St., Hamilton, HM11 Bermuda 441 292 8370
Orion Jan 11 [illegible]

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd
[illegible]

Butterfield Management Co Ltd
[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd
Barings & Rendle Fd Managers (Guernsey) Ltd
Equitable International Fund Managers (Guernsey) Ltd
Hambros Fd Mgrs (Guernsey) Ltd
Hambros Fd Mgrs (CI) Ltd
Guinness Flight Intl Fd Managers Ltd
Lazard Freres Asset Management (CI) Ltd
Lazard Fund Mngrs (Channel Islands) Ltd
Lloyds Intl Money Market Fund Ltd
M & G (Guernsey) Ltd
Prudential Fund Managers (Guernsey) Ltd
Rothschild Asset Management (CI) Ltd
[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021
[illegible]

Sarasin Funds Mgmt (Guernsey) Ltd
Schroder Investment Mngmt (Guernsey) Ltd
[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd
Apollo Investment Management
Arab Bank Fund Managers (Guernsey) Ltd
Baring Asset Managers (Guernsey) Ltd
CBC Fund Managers (Guernsey) Ltd
Commercial Union Capital Inv Mngt
Dresdner Management (Guernsey) Ltd
Global Portfolio Management Ltd
Guernsey Capital Management Limited
Hambros Fund Managers (CI) Ltd
Lazard Fund Managers (CI) Ltd
Lazard Freres Asset Management (CI) Ltd
Lloyds Bank Fund Managers (Guernsey) Ltd
Merrill Lynch Guernsey
Paragon Asset Management Ltd
Royal Bank of Canada Intl Money Market Fd
Seabrook International (Guernsey) Ltd
Wells Fargo Nikko Inv Adv Guy Ltd
Yamaichi Capital Mngt (Guernsey) Ltd
[illegible]

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd
Bank of Cyprus Group
Baring International Fund Managers (Ireland) Ltd
Dresdner RCM Global Investors
Dunedin Gilt Trust Managers (Ireland) Ltd
Federated International Funds Plc
The Fiduciary Trust Global Fund
[illegible]

GAM Fund Management Ltd (u)
Guinness Flight Select Funds Plc
Hambros Fund Managers (Ireland) Ltd
Henderson Crosthwaite Investment Co
LGT Asset Management PLC
Morgan Grenfell Investment Funds Ltd (u)
Scottish Value Management (Ireland) Ltd
Singer & Friedlander Inv Funds Ltd
[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd
Apollo Fund Plc
Argentia European Hedge Fund plc
Asia Dynamic Growth Fund Plc
Asia Small Cos Growth Fund Plc
Asian Diversified Equity Fund Plc
Asian Emerging Markets Fund Plc
Asian Gateway Fund Plc
Atlantic Korean Smaller Companies Fund
BT Fund Managers (Ireland) Ltd
BZW Asset Management Ireland Ltd
Baring International Fd Mngrs (Ireland) Ltd
[illegible]

Baring Mutual (Ireland) Ltd
Berkshire KTC Growth Fund Plc
Berkshire Korea Fund Plc
Bordier Invest (Ireland) Ltd
Calpius Fund
Capital Vision Fund Plc
Chemical Ireland Fund Administrators Ltd
Daiwa Europe Fund Managers Ireland Ltd
Dragon Korea Fund Plc
Dynamic Pacific Portfolio Fund Plc
East Asia Korean Ireland Ltd
Egerton Capital European Fund Plc
Emerging Dynamic Fund Plc
Emerging Market Growth Fund Plc
F.I.T. Investment Trust Ltd (u)
Global Resources Stock Fund
Gordon House Asset Management Ltd
Korea CB Fund Plc
Korea Capital Growth Fund
Korea Golden Dynasty Fund Plc
Korea Open Fund
Korea Strategic Growth Fund
LBT Asset Management Ltd
Morgan Grenfell Fund Income Funds Ltd
Morgan Grenfell Portfolio
New Silk Road Fund
Pacific 21st Century Fund
Paine Webber Offshore Funds Plc
Pioneer Management (Ireland) Ltd
Societe Generale Group
Tailor Bank Investment Services
Yukon Korea Fund
[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs
[illegible]

Allied Dunbar Intl Fund Mngrs (1600)F
Ashburton Global Funds Ltd (1200)F
Bank of Ireland Asset Mngmt (IOM) Ltd
CMI Fund Managers (IoM)
Celtic Fund Managers (IoM) Ltd
Gartmore Investment Mngt (IoM) Ltd
Sun Life Management (IoM) Ltd
Victory Bank Global Funds Plc
[illegible]

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs
Bank of Ireland Asset Mngmt (IOM) Ltd
City Financial Admin (IoM) Ltd
Duncan Lawrie Inv. Mgt. Ltd
Manx, Oils Res. Stra. Fd. Inc.
Quilter Intl Mngt (IoM) Ltd
RHR Fund Managers Ltd
Sytrade International Fund Management Ltd
[illegible]

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
Barclays International Funds
Coutts & Co (Jersey) Fund Managers Ltd
Gartmore Fund Managers Intl Ltd (u)
John Govett (Channel Islands) Ltd (1000)F
Hill Samuel Fund Mgrs (Jsy) Ltd (1600)F
Lloyds Bank (CI) U/T Mgrs
Midland Bank Fund Managers (Jersey) Ltd
Newton Fund Mgrs (CI) Ltd (1200)F
Perpetual Fund Managers (Jersey) Ltd
Standard Bank Fund Managers (Jersey) Ltd
[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds
Chase Manhattan Trustees
Citibank (CI) Ltd "Citifunds"
Coutts & Co (Jersey) Fund Managers Ltd
EBC Fund Managers (Jersey) Ltd
Fleming Group
[illegible]

Foreign & Colonial Mngmt (Jersey) Ltd
Jupiter Tyndall (Jersey) Ltd
Lloyds Private Banking (CI) Ltd
Lombard Odier (Jersey) Ltd
Lombard Odier Fund Management
Mercury Asset Mngt Channel Islands Ltd
Northgate Unit Tst. Mngr. (Jersey) Ltd
Perpetual Unit Trust Mgrs (Jersey) Ltd
The Portfolio Fund Limited
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd
Schroder Mngt Services (Jersey) Ltd
TSB Fund Managers (CI) Ltd
Worldinvest (Managers) Jersey Ltd
[illegible]

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
Abtrust Fund Mngrs Luxembourg SA (u)
Gartmore Fund Managers Intl Ltd (u)
Mercury Asset Management
Henderson Horizon Fund
INVESCO International Ltd
Jardine Fleming Asset Mngt
John Govett Management
Kleinwort Benson Intl Mngt
Lloyds Bank Luxembourg
MFS Meridian Funds
Morgan Grenfell Lux
Old Mutual Asset Management
Rothschild Asset Management
Sarasin Investment Fund
Schroder Intl Selection Fund
Thornton Investment Management
[illegible]

Den norske Bank
Dolphin Intl Investments (u) SICAV
Dresdnerbank Asset Mngmt SA (u)
E.T. Investment Management Ltd
Eagle Star - Global Assets Fund (u)
Fidelity Funds (u)
Finsbury Group (u)
Fleming Flagship Fund
Foreign & Colonial Emerging Markets Ltd (u)
Gartmore Luxembourg SA (u)
Guinness Flight Global Fund
Investment Fund Plc
Lloyds Bank Luxembourg
Midland Bank Fund Managers
Morgan Stanley Sicav (u)
Oppenheim Sicav
Perpetual Global Fund
[illegible]

Mercury Asset Management S.A. - Contd.
Midland Intl Circuit Fund SICAV(u)
Nikko Capital Management
Nomura Global Fund (u)
PRICOA Worldwide Inv Portfolio Sicav (u)
S-E-Banken Luxembourg SA
Sarasin Investment SICAV (u)
Schroder International Selection Fd (u)
Scottish Equitable Intl Fund SICAV (u)
Sun Life Global Management Ltd (u)
Templeton Global Strategy Funds
Thornton Investment Management Ltd
[illegible]

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)
Alliance Capital
Americasia Fund Sicav
The Archipelago Fund Sicav
Asian Development Equity Fund
Atlantis Sicav
Banque Ferrier Lullin (Lux) SA
Banque Indosuez Luxembourg
Banque Pictet (Luxembourg) SA
Banque Scandinave En Suisse
Blakeney Management Ltd
CS Fund International (u)
CSFO Umbrella
Capel-Cure Myers Intnl Fd Sicav (u)
Chase Manhattan Vista Funds
Citicorp Investment Mgmt (Luxembourg) SA
Citimarkets SA
Clan European Asset Value Fund
Clemente Korea Emerging Growth Fund
Cox & Kings Overseas Fund
[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credit Investment Funds

Monterey Trust SICAV

Morgan Stanley Sicav

Albany International Assurance Ltd - Contd.

Royal Life International - Contd.

Royal Skandia Life Assurance Ltd

Chescor Indian Investment Company Ltd

The China Fund

The China Invest & Development Fd Ltd

Citibank Global Asset Mgmt (Asia) Ltd

Citizens Investment Trust Mgt Co Ltd

Global Asset Management - Contd.

Magellan Emerging Mkts Mngt (Jersey) Ltd

Magnum Funds

Magus Asset Management Ltd

Malaysia Capital Fund Ltd

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Wells Fargo U.S. IT Fund

Worldwide Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Dec 31	$79.10			–

Xiphias International Investment Fd Ltd

Zenett Lombardier Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Dec 1	$124.73			–

Zweig-DiMenna International Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Dec 21	$139.59			–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(✱) - 0001 to 1100 hours
(●) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(♦) - 1701 to midnight.
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
⊕ - Yield column shows annualised rates of NAV increase.

LONDON STOCK EXCHANGE

MARKET REPORT

Interest rate cut helps Footsie to all-time record

By Steve Thompson, UK Stock Market Editor

News of a 25 basis point reduction in UK interest rates caught many marketmakers on the wrong foot and produced another power-packed performance by the UK equity market.

The market's response to the rate cut, the second in two months, was immediate, with the FT-SE 100 index driven sharply higher during the day and eventually closing only a shade off its best level.

Mr Bob Semple, head of the equity market strategy team at NatWest Securities, described the rate cut as "unfinished business," pointing out that the market had expected a 50 basis point cut in December when the chancellor sanctioned a 25 basis point reduction. "Mr Clarke has been cautious and has been proved right," said Mr Semple.

The upward move by equities was bolstered by an equally powerful performance by gilts which, after faltering when the rate cut news first emerged, subsequently raced higher to close with big gains.

At the close, the FT-SE 100 was 44.5 higher at a closing record of 3,748.7, after reaching an intra-day record of 3,749.7 in mid afternoon.

Second-line stocks also made good progress but were left well behind by the leaders: the FT-SE Mid 250 gained 232.6 to 4,058.2.

Leading marketmakers said they saw further upside in share prices in the short term, in the wake of the rate cut, with FT-SE 3,800 a distinct possibility. Admitting that the market had been caught out earlier in the week, one senior trader said there was still plenty of momentum in the market, despite the constant political worries.

These were highlighted in the press yesterday by reports that the Prime Minister might have to face another challenge to his leadership if, as expected, there was a poor showing by the Conservatives in the May local elections.

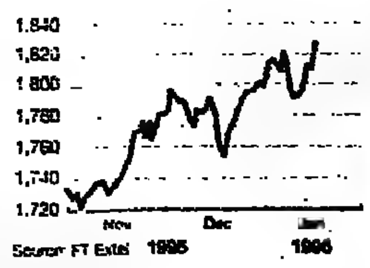
This morning brings the expiry of the FT-SE index options which could produce plenty of fireworks. Two of the big market operators, Goldman Sachs and UBS, were seen to be aggressive buyers of index options late yesterday. Dealers reported at least two big programme trades in the market, both heavily weighted on the buy side.

Opening over 6 points higher the FT-SE 100 was always in plus territory but began to motor an hour after the official opening of business, with the rate cut news producing a fresh burst of strength in the index. With few pauses for breath the Footsie continued its upward path for the rest of the session and was given an additional lift by a gradual improvement by Wall Street when that market opened for business.

The Dow Jones Industrial Average was up almost 30 points ninety minutes after London closed, and apparently untroubled by the recent poor numbers from Intel and the profit warnings from Wal-Mart and 3M. Bank shares built on recent gains, helped by the scintillating fourth quarter numbers from leading US banks and buy notes from leading London brokers.

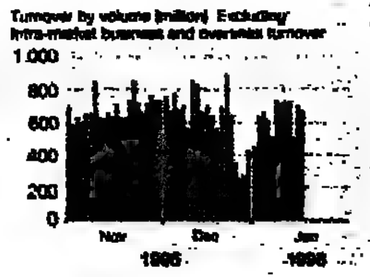
Activity in equities accelerated sharply, with turnover at 6pm reaching 945.6m shares, helped by more aggressive buying of Forte stock, where turnover was 59m.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3748.7	+44.5	FT Ordinary index	2773.5	+20.2
FT-SE Mid 250	4058.2	+22.6	FT-SE-A Non Fins p/e	16.92	(16.78)
FT-SE-A 350	1857.4	[illegible]	FT-SE 100 Fut Mar	3772.0	+49.0
FT-SE-A All-Share	1829.71	+18.11	10 yr Gilt yield	7.32	(7.33)
FT-SE-A All-Share yield	3.72	(3.76)	Long gilt/equity yld ratio:	2.08	(2.07)

Best performing sectors

1. Banks, Retail .... +2.7
2. Life Assurance .... +1.8
3. Tobacco .... +1.7
4. Textiles & Apparel .... +1.4
5. Building Mats .... +1.4

Worst performing sectors

1. Gas Distribution .... -0.8
2. Alcoholic Beverages .... -0.4
3. Property .... -0.3
4. Other Financial .... -0.3
5. Banks, Merchant .... -0.0

Broker boost for BAe

British Aerospace sparkled after one agency broker reiterated its buy stance on the stock and presented a heavy valuation for the group.

The stock jumped 29½ to 864½p in trade of 3.1m as Henderson Crosthwaite said the shares could be worth £12 each if the company was broken up. In a note to clients, Mr Brian Newman at the broker said: "At 830p the BAe share price is trading at a 30 per cent discount to our revised break-up value estimate of 1200p per share." The broker's previous break-up estimate was 800p.

Sentiment was boosted further by reports that the £32bn Eurofighter defence project, Europe's biggest, is likely to go ahead. BAe is one of the developers of the aircraft and is expected to be leading contractor on the project.

Henderson also added: "We believe the company is also close to winning further export contracts for Tornado and Hawk aircraft with associated support services."

The stock has been a strong performer in recent weeks, buoyed by speculation about the flotation of Orange, the mobile phone company. British Aerospace has a 31.5 per cent stake in the group.

Forte active

Shares in Granada Group, currently bidding for Forte, finished 3 ahead at 696p on volume of 8m, with dealers continuing to suggest the tide was still moving in Granada's favour.

Traders suggested yesterday's lunchtime presentation by Forte at UBS, its broker, had not been well received.

By the close, turnover had jumped to 59m, as the shares settled 4 ahead at 381½p, boosted by buyers considering Forte to be a cheap way into Granada.

Power disappoints

Scottish Power slipped 3 to 384p as hopes of a boost in the dividend were dashed at the company presentation.

ScotPower gave a positive account of the cost savings to be achieved through its acquisition of Manweb. The figure of £92m in 1997-98 was better than analysts had expected. However, there had been optimism that the current forecasts that dividend would grow by between 5 and 6 per cent could be raised. ScotPower dampened those hopes.

On the other hand, the cost cutting enthusiasm prompted buying of United Utilities - formerly North West Water and Norweb. United was further helped by a regulatory announcement late on Wednesday. Welsh Water came to an agreement with Ofwat, the water regulator, and analysts believe it has paved the way for its merger with South Wales Electricity not to be referred to the Monopolies and Mergers Commission.

The removal of worries over Welsh and Swalec also removes lingering monopoly concerns surrounding United Utilities. United rose 17 to 588p, Swalec 18 to 847p and Welsh 5 to 749p.

General institutional buying was given as the reason for the advance of Geest, the shares jumping 18 to 237p. The stock has been a strong performer over the last few weeks, boosted by talk that several food producing groups were looking at Geest with a view to launching a bid. Specialists discounted the bid talk.

News that 1995 profits from spirits group Guinness will be hit by a £39m reorganisation charge sent the group's shares tumbling, as analysts moved to downgrade profits estimates.

The shares had given up 14½ to 474½p in trade of 10m by the close, with the market also disappointed by the weaker than expected performance in Japan, also highlighted yesterday.

Analysts downgraded profit estimates for the year to December 1995 by £10m to around £875m (which includes total charges of around £64m) and by £20m for the current year to about £980m.

The poor sentiment in Guinness spread to Allied Domecq, leaving the shares 2 off at 539p. Elsewhere in the drinks sector, bid talk returned to the Sunderland based brewer Vaux Group. The shares gained 10 at 299p on the speculation, with volume closing at 2m.

Independent television groups jumped as takeover talk returned. The Broadcasting Bill, which proposes restricting ownership on the grounds of advertising rather than regions went before the House of Commons on Tuesday. Yorkshire-Tyne Tees jumped 35 to 722p, HTV 4 to 300, Scottish Television 12 to 483p and Grampian 5 to 223p.

Prospects for industry rationalisation also helped More O'Ferrall, which received an additional lift from news that it has entered the Singapore transit shelter advertising market. The shares ended 14 higher at 503p.

Carlton Communications improved 1½ to 1042½p, partially helped by a recommendation from Credit Lyonnais Laing.

Enterprise Oil moved up 10 to 390p as Robert Fleming Securities issued a positive recommendation.

British Gas declined a further 2 to 253½p on tough comments by the official regulator over pricing.

Interest rate enthusiasm helped banks move forward smartly with further help from broker recommendations. SBC Warburg and Merrill Lynch were voicing their enthusiasm.

Standard Chartered appreciated 15 to 590p, while HSBC advanced 29 to 1052½p, with Robert Fleming apparently issuing covered warrants on the stock and some dealings reflecting switching out of the Hong Kong registered shares.

Lloyds TSB improved 14½ to 340½p, with Merrill Lynch raising its 1996 profits forecast for the company from £2.1bn to £2.24bn.

Long-standing takeover candidate Royal Bank of Scotland moved ahead 14 to 571p in spite of an insistence by the chairman at the annual meeting that the bank was determined to maintain its independence.

Satisfactory business figures helped a number of life insurance companies, which are also desperately hoping that the interest rate cut will inject some confidence back into the market and help to lift policy sales. Legal & General ticked up 20 to 701p and Britannic 5 to 788p.

Retailer Lloyds Chemists was once again the best performer in the FT-SE Mid 250 index after confirming that it had agreed a £514m bid from its rival Unichem. Shares in Lloyds forged ahead another 35 to 401p, while Unichem was also in demand and raced 19½ ahead to 258½p.

WEW Group slipped 1½ to 15½p after it reported an 11 per cent decrease in like-for-like sales in the four weeks over the Christmas period. Turnover fell by 6 per cent in the same period.

Courtaulds Textiles added 14 at 413p on the back of a positive stance from BZW, the investment bank.

Vega, the computer software group, moved forward 5 to 348p on well received figures and a recommendation from Beeson Gregory.

Management defections at the direct marketing arm of GGT left the shares of the advertising and marketing services group down 19 at 211p.

Hopes that the latest interest rate cut might aid the flagging construction industry helped some building and building materials stocks. Among them, RMC rose 27 to 965p, Wimpey 4 to 145p and Bryant 5 to 113p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Jan 18	Jan 17	Jan 16	Jan 15	Jan 12	Yr ago	*High	*Low
Ordinary Share	2773.5	2753.3	2760.7	2727.0	2720.9	2309.9	2773.6	2238.3
Ord. div. yield	3.91	3.95	4.04	4.06	4.06	4.52	4.73	3.91
P/E ratio net	16.61	16.47	16.45	16.23	16.25	17.44	21.39	15.35
P/E ratio nil	16.40	16.27	16.26	16.08	16.05	16.89	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2773.6 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2754.6	2751.8	2763.0	2757.5	2762.0	2763.6	2767.2	2769.9	2770.1	2773.8	2751.3

	Jan 18	Jan 17	Jan 16	Jan 15	Jan 12	Yr ago
SEAQ bargains	39,813	34,159	31,304	30,817	29,603	18,416
Equity turnover (£m)†	-	1937.4	1866.4	1215.2	1625.4	1413.4
Equity bargains†	-	[illegible]	37,930	34,565	36,231	27,505
Shares traded (ml)†	-	696.6	713.5	559.0	728.8	610.3

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	880	Total Highs	229	Total contracts	68,440
Total Falls	416	Total Lows	17	Calls	44,267
Same	1,555			Puts	24,183

Jan. 18*Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3727.0	3772.0	+49.0	3780.0	3723.0	18639	61937
Jun	3729.0	3775.0	+49.0	3775.0	3729.0	124	1178

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4077.0	4080.0	+20.0	4077.0	4061.5	50	3412

■ FT-SE 100 INDEX OPTION (LIFFE) (*3747) £10 per full index point

	3550	3600	3650	3700	3750	3800	3850	3900
	C P	C P	C P	C P	C P	C P	C P	C P
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 13,330 Puts 6,748

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index points

	3575	3625	3675	3725	3775	3825	3875	3925
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 7,646 Puts 2,998 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	23.2	125	115	Century Inns	116	+1				
-	F.P.	85.5	114	108	Cox Insurance	113					
-	F.P.	14.5	60	52	†Crown Products	55					
-	F.P.	13.7	80	72	†Ornatek	73	+1				
-	F.P.	25.6	88	73	Jupiter Split Cap	[illegible]					
-	F.P.	53.6	101	98	Jupiter Split Inc	[illegible]		[illegible]	-	8.2	-
-	F.P.	59.0	259	258	Jupiter Split Units	[illegible]		[illegible]	-	8.2	-
-	F.P.	9.09	¼	¼	†Mountcashel	[illegible]					
-	F.P.	8.71	78	75	†Nihon Petm	[illegible]					
-	F.P.	0.13	8	8	†Do Wrnts	[illegible]					
-	F.P.	1.07	105	100	†Revelation P'dilly	100					
-	F.P.	3.15	3¼	3	†Rushmere Wynne	[illegible]					
-	F.P.	0.76	7½	6	†SkyePharma Wts	[illegible]					
133	F.P.	48.9	145	133	Unicorn Intl	146		[illegible]	2.2	4.7	12.2
-	F.P.	173.9	260	213	Victrex	251	+2	[illegible]	2.4	1.8	28.3
-	F.P.	4.05	135	126	†Newinn	133					

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jan 17	% chg on day	Jan 16	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (34)	[illegible]	+1.2	2168.91	1804.66	1.87	–	2208.35	1697.91
■ Regional Indices								
Africa (16)	2993.40	+0.5	2977.51	2734.05	2.95	31.42	3063.46	2272.74
Australasia (6)	2625.87	+1.8	2579.63	2197.84	1.88	41.43	2732.31	1788.20
North America (12)	1901.68	+1.4	1875.85	1473.82	0.71	58.60	[illegible]	[illegible]

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FT - SE Actuaries Share Indices — The UK Series

	Jan 18	Day's chge%	Jan 17	Jan 16	Jan 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3748.7	+1.2	3704.2	3710.6	[illegible]	[illegible]	3.81	2.07	15.81	2.85	1600.44
FT-SE Mid 250	4058.2	[illegible]	4035.6	4037.5	4021.6	3449.3	3.61	1.82	19.06	12.63	1603.77
FT-SE Mid 250 ex Inv Trusts	4066.0	+0.6	4043.6	4046.2	4029.9	3460.4	3.74	1.97	17.82	13.43	1606.35
FT-SE-A 350	1857.4	+1.1	1837.9	1840.5	1820.2	1517.7	3.77	2.02	16.40	2.25	1621.47
FT-SE-A 350 Higher Yield	1867.4	+1.2	1845.3	1847.5	1825.2	1660.9	4.61	1.84	14.73	3.45	1270.39
FT-SE-A 350 Lower Yield	1851.8	+0.9	1834.8	1838.0	1819.6	1484.3	2.88	2.34	18.66	0.98	1265.27
FT-SE SmallCap	1980.22	+0.2	1976.16	1976.29	1972.05	1727.75	3.15	1.61	21.88	1.67	1602.67
FT-SE SmallCap ex Inv Trusts	1953.50	+0.2	1949.98	1950.65	1946.85	1716.35	3.38	1.90	19.48	1.98	1589.63
FT-SE-A ALL-SHARE	1829.71	+1.0	1811.80	1814.04	1795.26	1503.00	3.72	2.01	16.71	2.18	1522.74

■ FT-SE Actuaries All-Share

	Jan 18	Day's chge%	Jan 17	Jan 16	Jan 15	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3192.27	+0.9	3164.38	3167.28	3150.70	2659.31	3.66	2.02	16.66	0.00	1343.23
12 Extractive Industries(5)	4086.76	+1.2	4039.76	4086.76	4074.68	3575.27	3.63	2.55	13.45	0.00	1171.66
15 Oil, Integrated(3)	3238.52	+0.8	3212.98	3208.40	3189.69	2654.60	3.60	1.95	16.83	0.00	1397.03
16 Oil Exploration & Prod(15)	2125.71	+1.2	2100.65	2107.30	2099.25	1866.44	2.31	1.48	36.58	0.00	1261.75
20 GEN INDUSTRIALS(276)	2015.96	+0.9	[illegible]	2000.77	1991.84	1632.77	4.10	1.90	16.09	0.54	1082.57
21 Building & Construction(34)	1051.10	+1.1	1040.05	1049.68	1041.16	960.10	3.88	2.18	14.98	0.36	866.28
22 Building Matls & Merchs(32)	1796.01	+1.4	1771.91	1780.99	1770.84	1738.40	4.17	2.03	14.75	0.40	891.53
23 Chemicals(23)	2447.13	+0.6	2432.91	2427.42	2414.03	2276.34	4.01	1.87	16.70	0.91	1140.00
24 Diversified Industrials(21)	1837.87	+1.0	1819.87	1817.07	1810.83	1790.78	5.37	1.56	14.76	0.00	1004.92
25 Electronic & Elect Equip(38)	2275.42	+0.6	2261.79	2287.01	2261.20	1883.50	3.17	1.95	20.24	1.51	1168.58
26 Engineering(71)	2221.18	+1.1	2197.08	2204.87	2203.89	1767.09	3.36	2.25	16.69	1.08	1336.26
27 Engineering, Vehicles(13)	2582.65	+1.0	2557.49	2538.95	2521.04	2098.08	3.97	1.24	25.35	0.00	1316.79
28 Paper, Pckg & Printing(28)	2615.97	+0.6	2600.46	2601.94	2602.81	2766.00	3.81	2.63	12.98	0.20	1073.36
29 Textiles & Apparel(19)	1500.82	+1.4	1479.39	1456.36	1452.79	1513.36	4.83	1.60	15.04	0.00	900.13
30 CONSUMER GOODS(91)	3660.10	+0.6	3638.64	3639.52	3591.25	2764.26	3.71	1.79	18.78	8.25	1234.09
32 Alcoholic Beverages(6)	2902.57	-0.4	2914.14	2912.06	2898.72	2547.97	4.19	1.79	16.65	27.29	1046.76
33 Food Producers(23)	2626.10	+0.7	2608.64	2605.48	2577.80	2190.59	3.75	1.97	17.61	0.13	1154.76
34 Household Goods(15)	2698.59	+0.6	2682.71	2689.65	2700.75	2425.17	3.59	2.15	16.23	1.41	1014.25
36 Health Care(20)	1922.79	+1.2	1899.95	1911.08	1911.46	1567.02	2.68	1.76	26.64	1.36	1155.57
37 Pharmaceuticals(12)	5119.30	+1.1	5064.00	5076.22	4961.32	3831.86	3.21	1.70	22.06	0.00	1709.81
38 Tobacco(1)	4908.88	+1.7	4826.40	4815.70	4722.52	3706.12	4.64	1.94	13.19	0.00	1187.60
40 SERVICES(254)	2281.86	+0.9	2263.77	2269.01	2239.61	1880.82	2.99	2.12	19.74	2.56	1171.09
41 Distributors(33)	2604.88	+1.3	2570.95	2575.88	2567.67	2478.62	3.68	1.79	18.01	0.00	948.05
42 Leisure & Hotels(24)	2778.71	+0.4	2759.78	2769.55	2710.30	2079.86	2.91	2.22	18.60	12.21	1432.65
43 Media(40)	3578.51	+0.6	3557.14	3562.35	3521.58	2862.88	2.12	2.24	26.32	4.26	1282.29
44 Retailers, Food(15)	2060.15	+0.3	2053.30	2058.64	2058.99	1778.66	3.51	2.40	14.83	0.00	1302.54
45 Retailers, General(43)	1940.21	+1.2	1916.40	1907.23	1888.83	1535.82	3.65	2.27	15.01	0.76	[illegible]
47 Breweries, Pubs & Rest.(24)	2882.94	+0.8	2858.54	2847.28	2826.10	2193.64	3.42	2.07	17.86	7.81	1374.93
48 Support Services(48)	1934.70	+0.4	1916.75	1927.40	1921.78	1492.07	2.43	2.47	20.81	1.81	1213.17
49 Transport(21)	2242.99	+1.1	2219.55	2211.04	2178.80	2200.58	3.68	1.39	23.26	0.04	931.31
60 UTILITIES(34)	2464.47	+0.7	2448.86	2457.40	2425.03	2398.76	4.89	2.02	12.39	11.76	1036.03
62 Electricity(16)	2699.94	+0.6	2684.71	2682.58	2652.82	2473.10	5.02	2.64	9.44	45.55	1277.26
64 Gas Distribution(2)	1679.79	-0.8	1692.59	1770.11	1740.58	2063.71	7.13	1.04	18.85	0.00	842.78
66 Telecommunications(7)	2039.01	+1.2	2015.55	2018.50	1979.71	2011.36	4.14	1.74	17.33	0.00	922.92
68 Water(12)	2072.72	+0.8	2058.00	2058.42	2059.94	1718.29	5.86	2.61	8.14	3.61	1124.58
69 NON-FINANCIALS(689)	1930.84	+0.8	1914.58	1915.82	1899.22	1632.37	3.76	1.99	16.92	2.70	1642.93
70 FINANCIALS(105)	2340.94	+1.8	2307.60	2304.84	[illegible]	2098.47	3.84	2.32	13.99	0.32	1242.17
71 Banks, Retail(8)	4196.88	+2.7	4078.21	4085.80	3991.86	2707.86	3.80	2.60	13.43	0.00	[illegible]
72 Banks, Merchant(6)	3580.22	[illegible]	3581.75	3600.56	3625.30	3039.65	2.80	2.41	19.94	0.00	1122.37
73 Insurance(24)	1448.76	+1.1	1432.80	1439.22	1409.96	1149.34	5.05	2.69	9.20	0.06	1061.84
74 Life Assurance(6)	3513.59	+1.8	3450.40	3433.99	3423.73	2358.17	3.97	1.53	20.60	0.00	1431.44
77 Other Financial(21)	2384.63	-0.3	2390.80	2400.00	[illegible]	[illegible]	3.74	1.87	17.90	0.00	1337.02
79 Property(41)	1447.64	-0.3	1451.63	1456.15	1457.47	1367.98	4.29	1.32	22.01	1.66	879.00
80 INVESTMENT TRUSTS(127)	3072.28	+0.5	3057.00	3052.47	3043.01	2617.76	2.17	1.06	54.72	2.98	1064.93
89 FT-SE-A ALL-SHARE(904)	1829.71	+1.0	1811.80	1814.04	1795.26	1503.00	3.72	2.01	16.71	2.18	1522.74
FT-SE-A Fledgling	1123.10	+0.2	1121.31	1121.69	1120.37	997.82	3.02	2.19	18.87	1.36	1162.01
FT-SE-A Fledgling ex Inv Trusts	1121.46	+0.2	1119.32	1119.86	1119.15	1000.25	3.32	2.39	15.77	1.47	1158.60

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3711.0	3708.1	3727.0	3722.2	3732.8	3734.7	3740.4	3744.9	3747.0	3749.7	3707.8
FT-SE Mid 250	4033.4	4035.2	4046.1	4047.0	4048.1	4050.3	4052.9	4055.4	4057.4	4058.2	4033.4
FT-SE-A 350	1840.3	1839.3	1847.8	1846.0	1850.3	1851.2	1853.7	1855.7	1856.7	1857.5	1839.2

Time of FT-SE 100 Day's high: 2.42pm Day's low: 8.48am. FT-SE 100 1996 High: 3748.7 (18/1/96) Low: 2954.2 (23/1/95).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1040.7	1040.7	1051.1	1053.1	1054.3	1055.9	1056.2	1056.2	1056.2	1056.2	1040.8	+15.4
Pharmaceuticls	5015.7	5012.4	5030.3	5025.1	5043.4	5047.3	5056.2	5059.1	5050.2	5062.2	5008.1	+54.1
Water	2047.4	2049.2	2049.5	2052.8	2055.8	2062.2	2064.5	2064.8	2064.4	2065.2	2048.2	+17.0
Banks, Retail	4173.7	4178.2	4213.0	4213.3	4241.4	4233.5	4239.4	4242.7	4244.0	4240.0	4130.1	+109.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1996. © The Financial Times Limited 1996. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
Burton	[illegible]	[illegible]	[illegible]
Cable & Wireless	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Cookson	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]
Electrocomponents	[illegible]	[illegible]	[illegible]
Enterprise Oil	[illegible]	[illegible]	[illegible]
Eurotunnel	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Forte	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness	[illegible]	[illegible]	[illegible]
Hays	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Inchcape	[illegible]	[illegible]	[illegible]
Ladbroke	[illegible]	[illegible]	[illegible]
Laporte	[illegible]	[illegible]	[illegible]
LASMO	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
Lucas	[illegible]	[illegible]	[illegible]
Siebe†	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TI Group	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
Unilever	[illegible]	[illegible]	[illegible]
Vodafone	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Whitbread	[illegible]	[illegible]	[illegible]
Wolseley	[illegible]	[illegible]	[illegible]
Zeneca†	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities [illegible] yesterday [illegible] index constituent. [illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 18 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jan 18 / Frs.)

[illegible]

CZECH REP (Jan 18 / Koruna)

[illegible]

DENMARK (Jan 18 / Kr)

[illegible]

FINLAND (Jan 18 / Mks)

[illegible]

FRANCE (Jan 18 / Frs.)

[illegible]

GREECE (Jan 18 / Drachma)

[illegible]

ITALY (Jan 18 / Lire)

[illegible]

GERMANY (Jan 18 / Dm.)

[illegible]

NETHERLANDS (Jan 18 / Fls.)

[illegible]

NORWAY (Jan 18 / Kroner)

[illegible]

POLAND (Jan 18 / Zloty)

[illegible]

PORTUGAL (Jan 18 / Escudo)

[illegible]

SPAIN (Jan 18 / Pts.)

[illegible]

SWEDEN (Jan 18 / Kronor)

[illegible]

SWITZERLAND (Jan 18 / Frs.)

[illegible]

TURKEY (Jan 18 / TL Lira)

[illegible]

PACIFIC

JAPAN (Jan 18 / Yen)

[illegible]

HONG KONG (Jan 18 / H.K.$)

[illegible]

INDONESIA (Jan 18 / Rupiah)

[illegible]

MALAYSIA (Jan 18 / MYR)

[illegible]

NEW ZEALAND (Jan 18 / NZ $)

[illegible]

SINGAPORE (Jan 18 / S$)

[illegible]

AUSTRALIA (Jan 18 / Aust$)

[illegible]

SOUTH KOREA (Jan 18 / Won)

[illegible]

TAIWAN (Jan 18 / TW $)

[illegible]

THAILAND (Jan 18 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Jan 18 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jan 18 / Can $)
4 pm close

[illegible]

MONTREAL (Jan 18 / Can $)
4 pm close

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

INDICES

	Jan 18	Jan 17	Jan 16	1995/96 High		Low	
Argentina							
General(29/12/77)	(u)	17266.65	17232.78	17950.29	3/1/96	9931.69	9/3/95
Australia							
All Ordinaries(1/1/80)	2250.4	2250.3	2245.1	2274.99	8/1/96	1823.30	8/2/95
All Mining(1/1/80)	1013.8	1012.1	1004.7	1041.80	8/1/96	785.30	8/2/95
Austria							
Credit Aktien(30/12/84)	363.93	365.53	366.27	395.42	2/1/95	328.50	27/10/95
Traded Index(2/1/91)	1022.82	1030.40	1033.09	1088.31	2/1/95	962.15	23/10/95
Belgium							
BEL20(1/1/91)	1645.04	1632.74	1627.32	1645.04	18/1/96	1271.53	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	48362.0	48468.0	48654.00	15/1/96	21302.00	9/3/95
Canada							
Metals Minls♦(1975)	(c)	4729.66	4697.47	5288.37	23/11/95	3606.88	1/3/95
Composite♦(1975)	(c)	4773.00	4766.00	4855.36	9/1/96	3901.41	30/1/95
PortfolioSS(4/1/83)	(u)	2355.84	2345.84	2393.53	9/1/96	1953.36	30/1/95
Chile							
IGPA Gen♥(31/12/80)	(u)	5793.25	5761.07	6363.18	11/7/95	4678.86	9/3/95
Denmark							
CopenhagenSE(3/1/83)	365.68	366.63	365.89	369.83	17/1/96	330.01	29/3/95
Finland							
HEX General(28/12/90)	1706.74	1690.37	1673.91	2332.22	14/9/95	1558.30	29/3/95
France							
SBF 250(31/12/90)	1292.31	1292.70	1284.60	1322.30	12/5/95	1154.41	13/3/95
CAC 40(31/12/87)	1960.06	1955.00	1952.10	2017.27	12/5/95	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	852.25	850.61	852.59	852.59	16/1/96	768.87	30/3/95
Commerzbank(1/12/53)	2469.00	2463.00	2469.50	2469.50	16/1/96	2018.70	30/3/95
DAX‡(30/12/87)	2380.90	2371.30	2376.87	2380.90	18/1/96	1910.95	28/3/95
Greece							
Athens SE(31/12/80)	952.93	952.61	951.89	992.59	4/8/95	787.16	16/3/95
Hong Kong							
Hang Seng(31/7/64)	10536.49	10593.82	10671.15	10671.19	16/1/96	6967.93	23/1/95
India							
BSE Sens.(1979)	2940.40	2962.81	3015.48	3992.89	2/1/95	2922.18	29/11/95
Indonesia							
Jakarta Comp.(10/8/82)	557.71	557.01	558.43	593.98	15/1/96	414.21	18/4/95
Ireland							
ISEQ Overall(4/1/88)	2318.28	2312.22	2298.85	2318.28	18/1/96	1813.59	23/1/95
Italy							
Banca Comm Ital(1972)	598.35	597.82	590.94	680.54	10/2/95	547.79	5/12/95
MIB General(2/1/96)	1015.0	996.00	985.0	1019.80	3/1/96	982.60	15/1/96
Japan							
Nikkei 225(16/5/49)	20370.04	20570.26	20587.07	20888.08	8/1/96	14485.48	3/7/95
Nikkei 300(1/10/82)	297.83	300.89	300.73	307.86	5/1/96	222.26	13/6/95
Topix(4/1/68)	1587.31	1605.01	1603.08†	1632.88	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2088.32	2106.05	2101.85	2130.88	4/1/96	1401.80	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1068.66	1072.25	1069.66	1086.84	5/6/95	848.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2918.96	2921.25	3011.05	5/1/96	1447.82	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	550.2	549.2	549.3	551.00	8/1/96	422.90	22/3/95
CBS All Shr(End 83)	333.1	332.5	332.0	333.80	8/1/96	265.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2088.80	2090.83	2100.98	2208.02	20/10/95	1901.43	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1262.80	1273.98	1279.99	1315.20	8/1/96	1086.69	10/3/95
Philippines							
Manila Comp(2/1/85)	2731.27	2748.77	2776.75	2986.12	10/7/95	2198.48	20/11/95
Portugal							
BTA(1977)	2587.6	2593.80	2597.8	2811.89	9/1/95	2412.89	22/11/95
Singapore							
SES All-S'pore(2/4/75)	576.71	578.62	581.61	582.23	15/1/96	472.80	23/1/95
South Africa							
JSE Gold(28/9/78)	1587.9♥	1623.3	1609.8	2023.08	2/1/95	1269.28	30/10/95
JSE Ind.(28/9/78)	8626.0♥	8607.9	8596.6	8626.89	18/1/96	6222.80	31/1/95
South Korea							
KoreaCompEx**(4/1/80)	849.14	857.06	869.27	1027.37	2/1/95	847.09	27/5/95
Spain							
Madrid SE(30/12/85)	329.67	328.33	327.46	329.67	18/1/96	284.05	23/3/95
Sweden							
AffarsvardsGen(1/2/37)	1719.9	1713.0	1713.8	1872.30	19/9/95	1438.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1530.88	1516.19	1525.80	1530.89	4/1/96	1174.88	13/3/95
SBC General(1/4/87)	1132.60	1123.08	1130.11	1136.89	4/1/96	870.89	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	5028.20	5017.48	5015.98	7051.49	3/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1354.21	1371.08	1371.84	1472.84	3/07/95	1135.88	16/3/95
Turkey							
Istanbul Cmp.(Jan 1986)	46889.5	48459.7	47001.5	54888.89	21/4/95	24844.30	23/1/95
WORLD							
MS Capital Intl(1/1/70)	728.3*	729.9	731.7	743.69	5/1/96	588.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1537.43	1525.34	1522.85	1537.43	18/1/96	1222.41	19/3/95
Euro Top-100(26/6/90)	1371.80	1362.48	1362.88	1371.89	18/1/96	1117.24	9/3/95
JCapalDrgns(31/12/88)	(u)	359.58	360.63	369.13	15/1/96	282.07	23/1/95
ING Bargs Emrg(7/1/92)	155.52	155.50	156.31	180.07	2/1/95	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Jan	1967.0	1964.0	-11.0	1979.0	1963.0	17,853	35,684
Feb	1974.0	1971.0	-11.0	1985.0	1969.5	1,385	1,828
DAX							
Mar	2390.5	2401.5	+13.5	2409.5	2376.0	25,461	–
Jun	2394.5	2414.0	+15.0	2421.0	2394.5	2,752	–
OMX							
Jan	1316.00	1327.00	+2.50	1332.00	1316.00	6,083	15,268
Feb	1327.00	1339.50	+10.25	1339.50	1324.50	751	5,693
SOFFEX							
Jan	3209.0	3254.2	+44.9	3258.0	3190.0	10,833	13,893
Feb	3210.0	3256.0	+30.0	3259.0	3192.0	4,623	10,707

** Sat Jan 13: Taiwan Weighted Price 5025.30; Korea Comp Ex 874.48. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. ♣ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 18 - 2389.82 +13.99.

US INDICES

Dow Jones	Jan 17	Jan 16	Jan 15	1995/96 High	Low	Since compilation High	Low
Industrials	5066.90	5088.22	5043.78	5216.47	3832.08	5216.47	41.22
				(13/12/95)	(30/1/95)	(13/12/95)	(2/7/32)
Home Bonds	105.56	105.34	105.35	105.89	93.63	109.77	54.99
				(10/1/96)	(3/1/95)	(18/10/93)	(1/10/81)
Transport	1900.04	1895.95	1896.38	2082.11	1473.19	2082.11	12.32
				(5/12/95)	(3/1/95)	(5/12/95)	(8/7/32)
Utilities	228.11	229.60	228.10	229.60	183.03	256.46	10.50
				(16/1/96)	(3/1/95)	(31/8/93)	(8/4/32)

DJ Ind. Day's high 5138.38 (5116.04) Low 5028.61 (5000.79) (Theoretical♦)
Day's high 5097.97 (5088.58) Low 5052.45 (5018.82) (Actual♦)

Standard and Poors	Jan 17	Jan 16	Jan 15	1995/96 High	Low	Since compilation High	Low
Composite‡	606.37	608.44	599.82	621.69	459.11	621.69	4.40
				(13/12/95)	(3/1/95)	(13/12/95)	(1/6/32)
Industrials♥	706.89	710.42	702.07	731.65	546.28	731.65	3.62
				(13/12/95)	(3/1/95)	(13/12/95)	(21/6/82)
Financial	61.27	60.82	59.52	63.65	41.84	63.65	8.64
				(6/12/95)	(3/1/95)	(6/12/95)	(1/10/74)
NYSE Comp.	325.29	325.83	322.29	332.83	250.73	332.83	4.46
				(3/1/96)	(3/1/95)	(3/1/96)	(25/4/42)
Amex Mkt Val	533.21	531.91	532.70	553.88	433.12	553.88	29.31
				(12/9/95)	(6/1/95)	(12/9/95)	(9/12/72)
NASDAQ Cmp	996.30	995.88	988.57	1069.79	743.58	1069.79	54.87
				(4/12/95)	(3/1/95)	(4/12/95)	(31/10/72)

■ RATIOS

	Jan 12	Jan 5	Dec 29	Year ago
Dow Jones Ind. Div. Yield	2.33	2.28	2.30	2.73
	Jan 10	Jan 3	Dec 27	Year ago
S & P Ind. Div. yield	2.02	1.95	1.98	2.45
S & P Ind. P/E ratio	18.30	18.95	18.75	18.71

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Wal-Mart	16,531,000	20⅝	-2⅛
Telefonos	11,523,400	43⅜	+⅜
Micron	10,001,300	32¾	-¼
Compaq	6,593,800	43⅝	-3¾
Citicorp	5,856,100	68¾	+1¼
Motorola	5,850,400	49½	+⅜
IBM	4,734,800	87⅞	-⅝
Texas Inst	4,424,400	45⅞	+⅛
H-Packard	4,236,500	77	-3⅛
LSI Logic	3,977,700	26⅜	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Jan 17	Jan 16	Jan 15
New York SE	459.715	422.234	305.789
Amex	17.588	16.546	15.791
NASDAQ	632.013	574.699	490.377
NYSE			
Issues Traded	3,012	3,061	3,061
Rises	1,213	1,398	981
Falls	1,111	984	1,301
Unchanged	778	751	779
New Highs	151	127	80
New Lows	36	35	27

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Mar	608.05	607.85	-0.45	610.90	606.10	100,295	195,499
Jun	615.75	613.90	+0.15	616.25	611.60	154	6,485

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Mar	20550.0	20370.0	-260.0	20580.0	20370.0	22,119	144,012
Jun	20510.0	20450.0	-200.0	20550.0	20450.0	5,392	21,812

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, January 18, 1996

	Stocks Traded	Closing Prices	Change on day
Chiba Bank	10.2m	910	-1
Nippon Steel Corp	9.0m	357	-3
Nikko Secs	8.3m	1290	-40
Hyogo Bank	7.5m	1	
Daido Stl Sheet	6.5m	1610	-140
Japan Paper Ind	5.5m	803	+100
Toshiba Corp	5.4m	820	-11
NEC Corp	5.2m	1290	+20
Osaka Gas	5.1m	379	+8
Hanwa	4.2m	389	-22

4 pm close January 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
22 1/8	12 1/8	AAR	0.48	2.3	25	626	21 1/8	20 7/8	21 1/4	+1/8
46 1/4	35	AMP	0.92	2.4	19	3259	38 3/4	37 1/2	38	+1/8
80 3/4	53 3/4	AMR			16	5593	71 3/4	70 1/2	70 3/4	-1
47 7/8	36 1/2	ASA	1.71	4.0	23	621	43	42 5/8	42 5/8	-5/8
44 3/4	30 3/4	Abbott L x	0.84	2.1	18	14502	39 1/2	38 3/8	39 1/8	+1/4
16 7/8	12	Abitibi Pr	0.40	2.7	7	336	14 7/8	14 1/2	14 7/8	+1/2
28 1/2	21	ABM Ind x	0.70	2.5	15	29	28 1/8	28	28 1/8	-1/8
17 1/2	13 1/8	Acptncebn			10	176	15	14 5/8	14 3/4	-1/4
40	27 7/8	ACE Ltd	0.56	1.4	9	1931	39 3/4	39 1/8	39 1/2	+1/4
9 7/8	8 1/8	ACM Gvt In	0.48	5.0	8	273	9 5/8	9 1/2	9 5/8	
7 3/4	6 1/2	ACM GvOpp	0.66	8.9		81	7 1/2	7 3/8	7 1/2	
7 1/2	5 3/8	ACM Gvt Sp	0.75	10.7		682	7	6 7/8	7	
8 3/4	7 1/4	ACM Gvt Se	0.24	2.8		442	u8 3/4	8 5/8	8 5/8	
9 1/2	7 5/8	ACM Man	0.90	9.8		97	9 1/8	9	9 1/8	+1/8
29 1/4	10 1/4	AcmeClv	0.48	2.7	31	304	18	17 5/8	17 3/4	-1/2
38 3/4	7 3/8	Acme Elect			66	165	8 3/8	8	8	-3/8
34 1/2	23 3/4	Acordia	0.72	2.5	15	14	28 1/2	28 1/2	28 1/2	+1/4
16 3/4	10 1/8	Acuson			39	4379	12 3/8	12	12 1/4	
19 5/8	15 5/8	Adams Expr	0.36	1.9	0	89	18 3/4	18 5/8	18 5/8	-1/8
38 7/8	16 1/2	AdvMic			6	5994	19 1/8	18 5/8	19	+1/8
9 3/4	5	Advest Grp	0.16	1.8	11	39	8 7/8	8 3/4	8 3/4	-1/8
27 1/2	16 1/2	Advo Inc	0.10	0.5	15	10549	21	19 1/8	20 5/8	-3 1/8
46 3/4	24.80	Aegon	1.28	2.9	17	108	44 7/8	44 1/2	44 3/4	-1/2
5 7/8	3 3/8	Aeroflx			7	59	3 7/8	3 3/4	3 3/4	
76 3/4	48 3/4	Aetna L	2.76	3.8	34	10388	73	71 1/2	72 1/4	+7/8
46 7/8	31 7/8	Aflac	0.52	1.1	13	1938	u46 7/8	45 5/8	46 7/8	+1 3/8
28 3/8	16	Ahmanson	0.88	3.4	8	1968	25 7/8	25 3/8	25 3/4	+1/8
[illegible]										

- B -

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NYSE COMPOSITE PRICES

4 pm close January 18

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[illegible]

- U -

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- V -

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- W -

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Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1, 1995. [illegible]

FT Free Annual Reports Service [illegible]

AMEX COMPOSITE PRICES

4 pm close January 18

[illegible]

NASDAQ NATIONAL MARKET

4 pm close January 18

- A -

[illegible]

- B -

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- C -

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- D -

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AMERICA

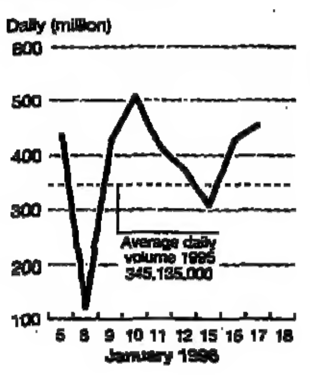
Caterpillar, IBM results support Dow

Wall Street

US stock prices were mixed in midday trading yesterday as a wave of strong earnings reports spurred gains in blue chip issues while a drop in Viacom shares sent the American Stock Exchange composite lower, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 19.15 higher at 5,086.05, while the Standard & Poor's 500 slipped 0.47 to 605.90.

Volume on the New York SE came to 269m shares.



The Nasdaq composite added 4.70 at 1,003.00 as investors anxiously awaited results – expected after the market closed – from Microsoft, the largest company in the index. In early trading, Microsoft shares were $1⅞ higher at $86¼.

The Amex fell 4.55 at 528.66 amid losses in Viacom.

The shares of the cable group fell $1 or 3 per cent to $38 after it announced late on Wednesday that it had fired Mr Frank Biondi, its president and chief executive.

Gains on the Dow came from specific issues that reported positive news yesterday.

IBM, for example, jumped $6¼ or 7 per cent at $93⅝ after reporting fourth quarter earnings before charges of $3.66 a share, 21 cents a share ahead of analysts' estimates.

Caterpillar added $6¼ or 12 per cent to $60¼ on fourth quarter earnings of $1.53 per share, 27 cents a share ahead of estimates.

McDonalds added $2⅝ to the $1¾ it rose on Wednesday, bringing the shares to $48½.

At mid-session on Wednesday, the company announced that it planned to speed up the opening of new restaurants.

Elsewhere, Bear Stearns was unchanged at $19¾ although the investment bank reported earnings of 76 cents a share, about 8 cents stronger than most analysts expected.

Maybelline added $2½ at $42¼ on a bidding war to take over the US cosmetic maker.

L'Oreal yesterday increased its bid for the company to $41 to counter Wednesday's offer from Benkiser, the German consumer goods company.

Canada

Toronto was firm at midday, benefiting from demand stemming from pension fund contributions flowing into equities in search of a tax haven, and a strong showing in base metals issues.

The TSE-300 Composite index was 13.99 higher by noon at 4,786.99 in heavy volume of 46m shares.

Alcan Aluminium, which reported earnings on Tuesday, jumped C$1⅛ to C$41¼, in response to a short covering rally that had sent prices higher on the London Metal Exchange.

São Paulo weakens

São Paulo was lower for the third consecutive day during midsession trading on worries about the progress of the government's social security reforms being considered by congress.

Doubts emerged after the chamber of deputies delivered a defeat to the government by rejecting, late on Wednesday, a proposal which would have levied pension contributions on retired people.

By midday the Bovespa index was off 259.61 at 48,103.

The market was unsurprised by comments from President Fernando Henrique Cardoso on Wednesday when he stressed that he was confident about the economic outlook for 1996.

MEXICO CITY was steady in early trade, although some buying was seen after satisfactory employment data were published. The IPC index was 11.47 up at 2,930.43 by noon.

BUENOS AIRES had barely moved by midday as investors generally kept a watchful eye on developments in the US. The Merval index was 2.90 points off at 530.96.

Golds sector down in S Africa

Gold stocks fell back after a volatile day's trading during which the price of bullion slipped below the $400 an ounce level. In contrast, industrials remained well sought, although some profit-taking was evident.

Foreign institutions were seen as sellers of gold shares in spite of encouraging quarterly results from JCI and Anglo, which appeared to have little impact on the sector at large.

Dealers forecast that there was now a strong possibility that industrials could enter a period of consolidation following the recent rises.

The overall index lost 19.8 to 6,816.9, industrials rose 13.8 to 8,621.7 and the gold shares index receded 37.7 to 1,585.6.

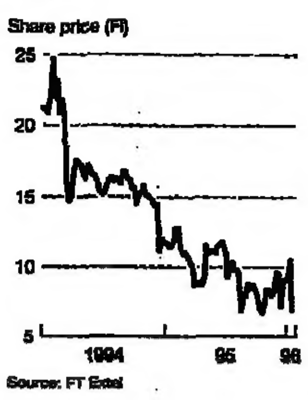
De Beers declined R1.25 to R121.75 on news that an agreement with Russian diamond producers, which had been rumoured earlier in the week, was still some way off. Analysts said it was unclear how long it would take to work out an agreement on the sale of Russian gems through De Beers' London-based Central Selling Organisation.

Anglos fell R3 to R259 as investors generally ignored its forecast that it expected gold production at its Vaal Reefs Exploration and Mining gold mine to rise by about 3 per cent during 1996, compared with the levels seen last year. Vaal Reefs lost R3 to R308 and JCI dipped R1 to R33.50.

EUROPE

Fokker dives by 20% after rescue talks stall

There was heavy and persistent selling of Fokker in AMSTERDAM and the aircraft manufacturer's shares plunged at the opening of the session by 30 per cent. However, they staged a partial recovery to finish off Fl 1.70 or 20 per cent at Fl 6.90.



Investors began to sell when it appeared that talks on a financial package to rescue the group between the Dutch government and Daimler, which has a 51 per cent stake, looked as if they had reached an inconclusive deadlock.

There were suggestions that the main problem in the negotiations was the fact that the Dutch state was only prepared to inject a comparatively small sum of cash into the rescue operation.

It was believed that Fokker needed an immediate injection of Fl 2.3bn if it were to avoid insolvency, and that Daimler had hoped the state would contribute up to Fl 1bn.

The AEX index softened 0.07 to 504.93.

PARIS got what it wanted when the Bank of France cut interest rates and, having talked up the market all week on the possibility, investors took profits and the CAC-40 index eased slightly, losing 5.94 to 1,960.06.

The Bank of France cut the intervention rate to 4.20 per cent from 4.45 per cent, and also trimmed the same amount from its five-to-10 day rate.

However, there was further evidence yesterday of problems ahead as a survey of French analysts revealed that forecasts for 1995 and 1996 corporate earnings growth had again been cut.

Evidence of the general corporate malaise was provided by Générale des Eaux, off FFr29 or 5 per cent to FFr522, after forecasting losses in 1995 of between FFr3bn to FFr3.5bn.

FRANKFURT shrugged off the Bundesbank's expected lack of action on key interest rates this time, made another couple of forays towards the 2,400 level, and lost it a little as the Dow flattened out in the late US morning. However, the Dax index still produced another all-time closing high, 13.99 higher at an Ibis-indicated 2,389.62. Turnover was DM10.3bn.

Continental, the tyremaker, rose DM1.10, or 4.9 per cent to DM23.70 for an 18.5 per cent gain this month.

Mr Christopher Will at Lehman Brothers said that the company had held a meeting with automotive analysts at Hanover on Tuesday, and had said that its strategies were changing: the buzzword now was "shareholder value".

On Tuesday, said Mr Will, Conti stated that it was prepared to form a joint venture, or sell its loss making US and European subsidiaries if necessary. The absence of losses here, he said, would add some 25 per cent to earnings which were expected to rise from around DM1 for 1995 to between DM1.50, and DM1.60 in the current year.

ZURICH turned higher after the consolidation of recent days and the SMI index rose 38.5 to 3,257.8. Volume picked up sharply as it became clear that support was firm at the 3,200 level.

Pharmaceuticals remained at the centre of attention. Sandoz rose SFr27 to SFr1,032 as the group's 1995 sales figures proved in line with the forecasts of Swiss analysts, but below those of their UK counterparts. The group also announced that it expected a marked increase in 1995 net income.

FT-SE Actuaries Share Indices

Jan 18 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1526.55	1527.20	1527.50	1529.25	1530.34	1533.69	1535.63	1537.43
FT-SE Eurotrack 200	1622.51	1622.85	1621.95	1625.95	1627.14	1631.01	1632.38	1633.89

THE EUROPEAN SERIES

	Jan 17	Jan 16	Jan 15	Jan 12	Jan 11
FT-SE Eurotrack 100	1525.34	1522.85	1510.88	1514.02	1504.40
FT-SE Eurotrack 200	1618.45	1617.53	1602.89	1602.63	1594.49

Base 1000 (26/10/90) Highday: 100 - 1538.02; 200 - 1636.81 Lowday: 100 - 1527.20 200 - 1621.24 † Partial

Roche certificates, under pressure on Wednesday after announcing 1995 sales figures, bounced back, collecting SFr160 to SFr8,930.

Mrs Birgit Kulhoff at UBS in Zurich commented that Roche was being supported by a weakening of the franc against the dollar and expectations that the group would have the fastest growing net profit among the pharmaceuticals companies. There was also a "certain fantasy" over the level of the Jubilee bonus, yet to be announced, that the company had promised to pay to investors this year to mark its centenary.

MILAN rose 1.8 per cent, supported by signs that Mr Lamberto Dini may remain as prime minister, strong bonds and a firm lira. The Comit index rose 10.73 to 598.35 while the real-time Mibtel index finished 214 higher at 9,558, off a peak of 9,589.

"The market wants Mr Dini to continue as prime minister," said Mr John Stewart at Inter-Europa in Milan. "The reason that shares did not collapse when Mr Dini resigned was an expectation that he would return, but with more broadly based support."

Mr James Cornish at NatWest Markets in London, said that if Mr Dini were to be reappointed for another term, it was likely to be good news for the market. "What Italy needs is a government with enough backing to push through difficult political decisions. It could then get down to the all-important task of cutting the budget deficit."

Olivetti added L16 to L1,043 after its sharp four day slide, as the company denied that it was in talks on a link with Bull, the French computer company.

BRUSSELS climbed to a record close, fuelled by sharply rising bonds, the stronger dollar and a further round of bank takeover speculation that pushed BBL sharply higher.

The Bel-20 index finished 12.30 higher at 1,645.04 as BBL jumped BFr200 to BFr5,840. The holding company, GBL, picked up BFr80 to a new high of BFr4,240.

MADRID's utilities and banks responded to the day's interest rate news and helped the general index close 1.34 higher at a new life high of 329.67. Banesto's forecast of a sharp rise in 1996 profits left it Pta8 higher at Pta835.

In utilities, Iberdrola continued its advance after a further buy recommendation from CS First Boston. The shares rose Pta20 to Pta1,185, up 4.4 per cent on the week so far, and by 69 per cent from its 1995 low.

HELSINKI was supported by Nokia and the stronger dollar. The HEX index rose 1.7 per cent to 1,708.74 in turnover of FM352m. Nokia, which accounted for 44 per cent of the total volume, added FM5.90 to FM162.40.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Nikkei retreats 1%, Kuala Lumpur hit by rate rise

Tokyo

The rise in the yen and an overnight decline on Wall Street depressed investor confidence and the Nikkei average fell back for the first time in three trading days on active selling by domestic institutions, *writes Emiko Terazono in Tokyo.*

The 225-share index shed 200.22 or 1 per cent to 20,370.04, having fluctuated between 20,297.89 and 20,537.17.

Volume was 450m shares, against 544.5m. The Topix index of all first section stocks lost 17.70 or 1.1 per cent at 1,587.31 and the Nikkei 300 dipped 3.06 to 297.83. Declines led rises by 903 to 185, with 130 issues unchanged.

In London the ISE/Nikkei 50 index firmed 0.85 to 1,402.95.

Banks and life insurers, which need to realise profits on their portfolios ahead of the March book closing, continued to sell holdings. They took profits on consumer electronics, high-technology and steel issues during the afternoon. Overseas investors, on the other hand, bought utilities and material manufacturers.

Individuals, meanwhile, dumped speculative issues following the plunge in Kanematsu-NKK, a building materials trader, on Wednesday. The stock had been a favourite among speculators and yesterday lost Y400 to Y2,370.

Crude oil prices retreated on rumours that economic sanctions against Iraq might be lifted, paving the way for that country to resume exporting oil, and prompting a decline in oil shares. Teikoku Oil dropped Y14 to Y674 and Arabian Oil Y230 to Y4,310.

Technology issues were lower. Toshiba fell Y11 to Y820, Fujitsu Y20 to Y1,140 and Sony Y130 to Y6,500. Profit-taking also depressed steels, with Nippon Steel off Y3 at Y357.

Speculative stocks lost ground. Nitto Chemical shed Y110 to Y1,180 and Daido Steel Sheet Y140 to Y1,610. But Stanley Electric, an electric equipment maker for cars, jumped Y15 to Y701.

In Osaka, the OSE average receded 277.27 to 21,795.04 in volume of 312.7m shares.

Roundup

KUALA LUMPUR fell sharply across the board on heavy selling triggered by Bank Negara's move to push up short-term interest rates to support the currency. The composite index ended 33.49 or 3.1 per cent down at 1,038.86.

But analysts noted that the market was due for a correction after its recent sharp gains, and the central bank move magnified the selling.

SEOUL was depressed by newspaper reports that the government would not take long-awaited action to support share prices, and the composite index dipped 7.92 to 849.14.

Securities houses also pressured the index with continued selling to raise funds for entry into the investment trust business early in the first quarter.

Samsung Electronics fell Won1,500 to Won129,500 and LG Electronics was Won700 lower at Won24,300.

Trading in Woosung Construction was halted after it defaulted on debts. Woosung Tire, its subsidiary, fell Won600 to its lower limit of Won9,800, while Korea First Bank, a major holder of Woosung's debt, lost Won230 at Won6,570.

BOMBAY recovered from intra-day lows, but remained worried by the underlying political problems. The BSE-30 index shed 22.51 to 2,940.40.

Dealers said the market fell initially on concern about corruption charges that had been laid against several leading politicians, before it regained some ground on short-covering and bargain hunting.

Corporate stories included Tisco, down Rs4.75 to a new 52-week closing low of Rs167.50. Dealers said the stock was affected by fears that a slowdown in the domestic economy might affect demand for its steel products.

BANGKOK was sharply off as profits were taken following the decline in some of the region's major markets. The SET index receded 16.85 or 1.2 per cent to 1,354.21 in heavy turnover of Bt8.8bn, with finance and bank issues bearing the brunt of selling.

Brokers said the market also turned weaker on reports that the central bank had asked commercial banks to delay cutting lending rates until domestic economic fundamentals had improved.

Nava Finance shed Bt3.50 to Bt85 on a rumour that its foreign partner, W.I. Carr, might pull out of its co-operation agreement when the annual contract expires later this year.

SYDNEY gathered profits in BHP, CRA and banks, and this activity offset sharp gains in the golds sector. The All Ordinaries index edged up 0.1 to 2,250.4 in volume of 278.2m shares worth A$531.2m. The golds index rose 54.3 or 2.6 per cent to 2,134.8.

TAIPEI recovered from early losses in thin trade on bargain hunting. The weighted index added 10.72 at 5,028.20, having touched 4,987.98.

MANILA ended lower for the third consecutive session as fears over the inflationary impact of a rise in the minimum daily wage hurt sentiment. The composite index tumbled 17.5 to 2,731.27.

HONG KONG closed moderately easier in reaction to the latest batch of cash calls and Wall Street's weakness overnight. The Hang Seng index shed 57.33 to 10,536.49 in turnover of HK$9.9bn, which included a HK$3.6bn Hong Kong Telecom placement by Citic Pacific and one by property company Chinese Estates worth HK$425m.

HK Telecom retreated 55 cents to HK$14.55 after Citic Pacific and its parent sold 253m Telecom shares at HK$14.35 each. Citic Pacific climbed 35 cents to HK$28.50.

Chinese Estates held steady at HK$6.30 after its chairman placed 68m shares with institutions at HK$6.25 each.

Analysts added that there was talk of an issue of 25m warrants on HSBC at HK$2.36 each. The banking giant repeated Wednesday's performance, rising HK$1 to HK$119.

SINGAPORE was weak for much of the day on profit-taking, forced selling and some small-scale short sales before some late demand enabled the Straits Times Industrial index to close 6.21 up at 2,396.27.

Malaysia's Berjaya Group was actively traded, falling 4.5 cents to 98.50 cents after reporting a 77 per cent plunge in its first-half net earnings.

SHANGHAI and SHENZHEN's local currency A indices dropped on fears of market indigestion after Inner Mongolia Yili was cleared to issue 17.2m shares on January 25. Shanghai's A index fell 21.232 or 3.8 per cent to 539.022 and Shenzhen's A index 3.57 or 3.2 per cent to 108.75.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JANUARY 17 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JANUARY 16 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	191.91	-0.2	185.90	127.96	146.12	172.30	0.1	3.88	192.38	185.56	128.52	145.78	172.04	196.40	157.95	166.62
Austria (26)	182.46	-0.8	176.75	121.66	138.93	138.75	-0.4	1.56	183.99	177.28	122.92	139.43	139.25	199.28	167.48	179.04
Belgium (34)	213.19	-0.1	206.52	142.15	162.33	158.25	0.3	3.30	213.44	205.65	142.58	161.74	157.75	215.22	166.66	166.99
Brazil (28)	153.38	-0.3	148.58	102.27	116.79	274.47	-0.3	1.61	153.89	148.28	102.80	116.61	275.36	180.23	86.06	158.29
Canada (101)	149.24	0.0	144.57	99.51	113.63	147.87	0.2	2.82	149.21	143.76	99.68	113.07	147.64	153.19	121.81	126.15
Denmark (33)	301.48	-0.4	292.05	201.02	229.56	232.27	0.1	1.41	302.74	291.70	202.24	229.41	231.94	302.74	246.19	252.00
Finland (24)	174.91	-0.8	169.43	116.62	133.18	163.33	0.1	1.95	175.94	169.53	117.54	133.33	163.11	276.11	171.13	189.81
France (99)	184.40	0.1	178.64	122.96	140.41	144.75	0.6	3.01	184.12	177.41	123.00	139.52	143.93	191.17	157.79	162.75
Germany (60)	167.69	-0.6	162.44	111.81	127.68	127.68	-0.2	1.87	168.77	162.61	112.75	127.89	127.89	169.49	139.77	142.79
Hong Kong (59)	412.69	-0.9	399.78	275.18	314.23	409.67	-0.9	3.50	416.27	401.09	278.09	315.44	413.23	416.27	277.40	302.32
Ireland (16)	261.11	0.3	252.94	174.11	198.82	232.34	0.9	3.30	260.29	250.80	173.89	197.24	230.36	262.70	204.97	208.93
Italy (59)	72.97	0.0	70.69	48.66	55.56	86.33	0.4	1.69	72.95	70.28	48.73	55.28	85.96	82.71	65.45	79.53
Japan (482)	153.84	0.3	149.02	102.57	117.13	102.57	0.1	0.74	153.38	147.77	102.45	116.22	102.45	164.82	136.95	152.21
Malaysia (108)	525.40	0.1	508.97	350.33	400.05	517.31	-0.1	1.61	524.74	505.60	350.55	397.64	517.97	561.96	398.16	449.67
Mexico (19)	1138.78	0.1	1103.16	759.32	867.10	9338.15	-0.3	1.49	1137.83	1096.33	760.12	862.23	9370.76	1237.14	647.61	1206.66
Netherland (19)	274.06	-0.3	265.49	182.74	208.68	205.18	0.2	3.18	274.96	264.93	183.69	208.36	204.64	280.49	217.69	217.80
New Zealand (14)	77.56	-1.2	75.13	51.71	59.05	62.14	-1.2	4.67	78.52	75.66	52.45	59.50	62.93	85.49	71.22	71.52
Norway (33)	230.33	-0.7	223.12	153.58	175.38	200.72	-0.2	2.09	232.05	223.59	155.02	175.84	201.20	243.79	202.76	207.23
Singapore (44)	430.33	0.4	416.87	286.94	327.66	280.81	-0.3	1.43	428.58	412.95	286.31	324.77	281.54	430.33	313.94	351.69
South Africa (45)	429.05	0.8	415.63	286.09	326.69	341.52	0.8	3.47	425.64	410.11	284.35	322.54	338.71	429.05	281.06	305.75
Spain (37)	166.20	-0.1	161.00	110.82	126.55	155.37	0.5	3.95	166.41	160.34	111.17	126.11	154.67	168.91	124.10	128.11
Sweden (47)	305.65	-1.2	296.08	203.80	232.73	301.73	-0.6	1.99	309.44	298.15	206.72	234.49	309.52	324.31	232.23	239.11
Switzerland (40)	226.11	-1.3	219.04	150.77	172.17	165.63	-0.7	1.61	229.15	220.79	153.08	173.64	166.80	239.55	162.35	164.55
Thailand (46)	184.68	0.0	178.90	123.14	140.62	181.17	0.0	2.25	184.70	177.98	123.39	139.96	181.18	165.37	130.15	141.43
United Kingdom (206)	227.96	-0.7	220.83	152.00	173.58	220.83	-0.2	4.20	229.59	221.22	153.38	173.98	221.22	232.23	191.53	184.29
USA (632)	246.97	-0.2	239.24	164.68	188.05	246.97	-0.2	2.29	247.48	238.45	165.33	187.54	247.48	283.50	190.22	192.53
Americas (779)	225.69	-0.2	218.63	150.49	171.85	189.69	-0.2	2.29	226.14	217.89	151.07	171.37	190.06	231.18	175.22	177.70
Europe (733)	200.51	-0.6	194.23	133.69	152.67	172.68	-0.1	3.04	201.65	194.29	134.71	152.81	172.76	204.32	167.26	169.13
Nordic (137)	272.12	-0.9	263.60	181.44	207.20	233.50	-0.3	1.89	274.70	264.68	183.51	208.16	234.25	295.02	222.22	229.26
Pacific Basin (834)	165.75	0.2	160.57	110.52	126.21	113.82	0.0	1.17	165.45	159.41	110.53	125.37	113.79	171.87	145.93	158.70
Euro-Pacific (1567)	180.12	-0.2	174.49	120.10	137.15	136.20	0.0	2.04	180.42	173.84	120.53	136.72	136.22	183.39	154.73	162.95
North America (733)	240.91	-0.2	233.37	160.63	183.43	240.29	-0.2	2.30	241.39	232.58	161.26	182.92	240.76	246.93	188.14	188.42
Europe Ex. UK (527)	181.07	-0.5	175.41	120.73	137.87	145.94	0.0	2.39	181.95	175.32	121.55	137.88	145.91	184.61	149.89	151.83
Pacific Ex. Japan (352)	277.84	-0.4	269.15	185.26	211.56	245.35	-0.4	3.01	278.83	268.66	186.27	211.30	246.27	278.83	211.19	224.82
World Ex. US (1759)	181.70	-0.1	176.01	121.15	138.35	140.35	0.0	2.06	181.95	175.31	121.55	137.88	140.33	184.71	155.42	163.62
World Ex. UK (2185)	198.80	-0.1	192.58	132.56	151.37	166.18	-0.1	1.96	199.02	191.77	132.96	150.82	166.31	202.03	163.46	169.94
World Ex. Japan (1909)	228.25	-0.3	221.11	152.19	173.79	214.66	-0.1	2.62	228.97	220.62	152.96	173.51	214.96	232.30	181.60	184.54
The World Index (2391)	201.38	-0.2	195.08	134.27	153.33	171.08	-0.1	2.17	201.71	194.36	134.75	152.86	171.20	204.65	165.92	172.09

Latest prices were unavailable for this edition.